

EXPORT
MERCHANTISING

WALTER F. WYMAN

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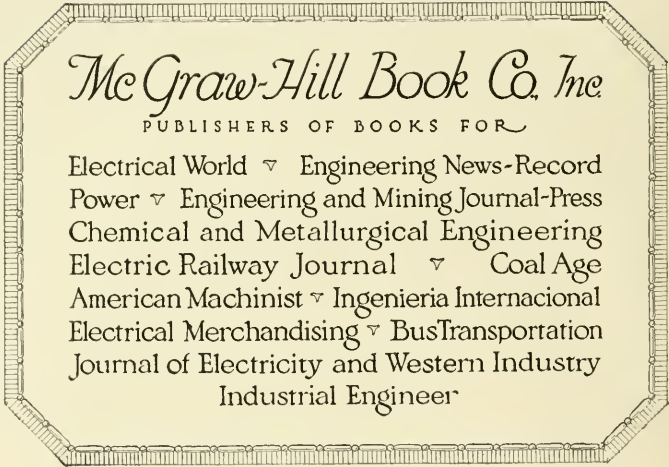
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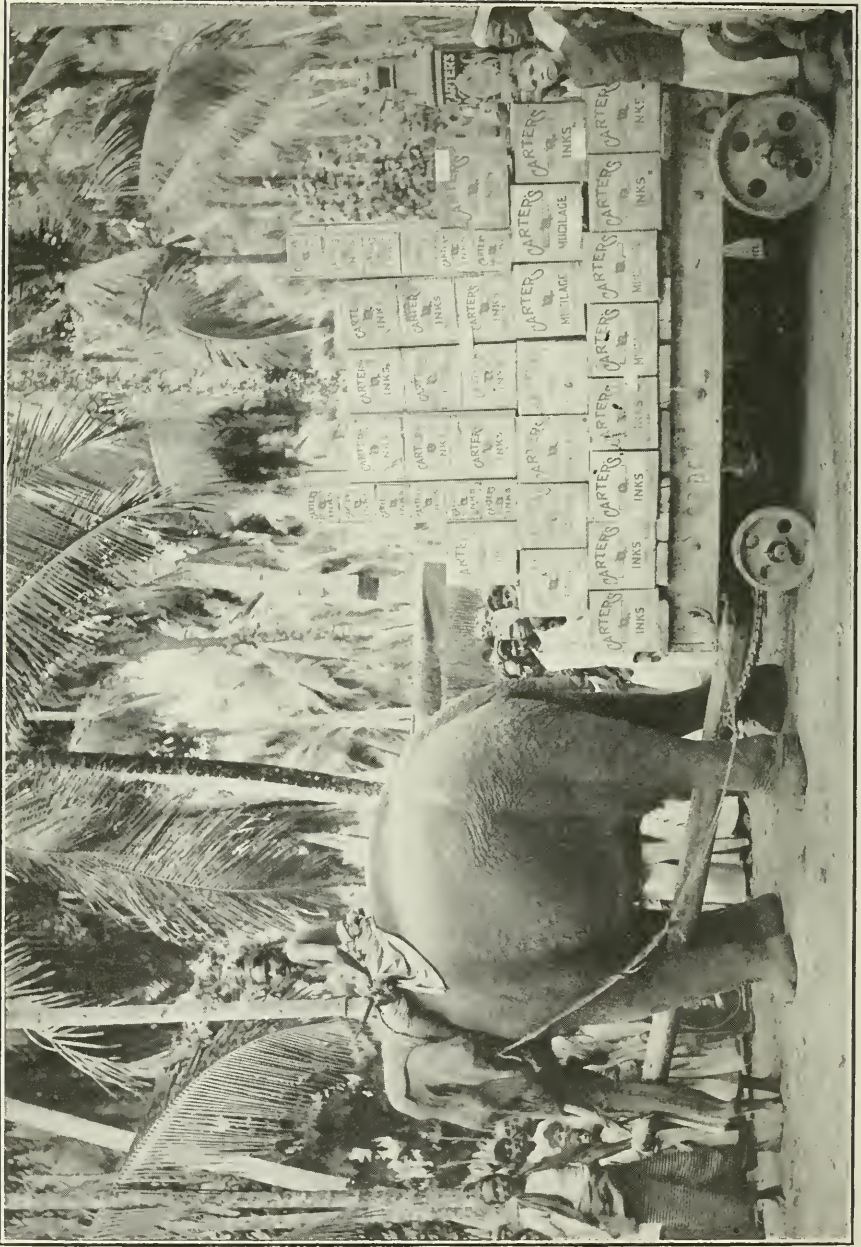
EXPORT MERCHANDISING



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An elephant load of Carter's Ink in Ceylon.

(Frontispiece.)

EXPORT MERCHANDISING

BY

WALTER F. WYMAN

SALES AND EXPORT MANAGER, THE CARTER'S INK COMPANY; HONORARY CHAIRMAN, BOSTON EXPORT ROUND TABLE; HONORARY PRESIDENT, EXPORT MANAGERS CLUB OF NEW YORK; VICE CHAIRMAN, COMMITTEE ON FOREIGN TRADE, NATIONAL ASSOCIATION OF CREDIT MEN; COMMITTEE ON FOREIGN TRADE, NATIONAL ASSOCIATION OF MANUFACTURERS; CHAIRMAN, COMMITTEE ON EDUCATIONAL EXHIBITS, INTERNATIONAL TRADE CONFERENCE; COMMITTEE ON FOREIGN TRADE, ASSOCIATION OF NATIONAL ADVERTISERS, INCORPORATED; AMERICAN COMMITTEE ON DISTRIBUTION AND COMMITTEE ON RECIPROCITY FOR COMMERCIAL TRAVELLERS, INTERNATIONAL CHAMBER OF COMMERCE; AUTHOR, DIRECT EXPORTING, UTILIZING TIME, HENRYVILLE STORIES.

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WALTER F. WYMAN.

CAMBRIDGE, MASS.
August, 1922.

FOREWORD

"No business man can judge the prospects of his industry without taking world market and transportation conditions into account, any more than he can operate a river steam-boat without taking the world-wide lunar tides into account."—Edward N. Hurley.

International commercial exchange affects the comfort, convenience and net income of every man, woman and child in the United States. For our comfort and convenience we must import food stuffs and metals, rubber and textiles. Our incomes are affected both by the prevailing costs of imported products and materials and by direct and indirect taxation—which is based upon exports as well as imports.

This volume describing the phases of Export Merchandising has been prepared for the American manufacturing exporter and for all others who participate in the exportation of American-made merchandise. Its chapters have purposely been sequenced for those with an academic as well as those with an immediate business interest in the securing of profits from overseas sales.

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EXPORT MERCHANDISING

CHAPTER I

COMMON SENSE IN EXPORT TRADE

"Exporting is not in itself a science or an art. It is simply a part of merchandising. The better the understanding of the principle of business itself—which knows no clime, creed or color of skin—the better the exporter."—Thomas W. Pelham.

The Justification of Exporting Is Profit. Export Trade Is Merely Selling Goods in Markets New to the Merchandiser. Exporting Is no Longer "the Great Business Adventure." Organization and Selling Are the Common-sense Problems of Foreign Trade. No Mystic Recipe Needed to Enjoy Foreign Profits. Export Trade Is Based on Common Sense.

Profit is the justification of export trade; honest profit—net profit over a long term of years coming from honest goods honestly sold.

It is true that it is a patriotic duty to export. It is true that export trade protects and insures not only those engaged in it, but also their fellow citizens. It is true that the by-products of exporting are many and valuable. But in the eyes of the executive, the essential factor is direct profit. Export trade is a direct road to profits all but limitless in volume and duration.

Boundary Lines Not Barriers.—Export trade is merely selling goods in markets new to the merchandiser. Fundamentally, there is no difference between adding new accounts in Canton, China, and in Canton, Massachusetts. The surface detail of pronunciation differs, but the market is essentially the same. The boundary line on the map is not the barrier to increased profits. It is the boundary line in the mind of the business executive that is hard to cross.

Profits are not a mere matter of costs of manufacture, list prices and discounts. Sales volume, initial sales expense and cost of maintaining business once secured are far more important elements. Paper profits are too dangerous a yard-stick to be regarded as more than a pleasing vision. They need to be substantiated by cold practice.

Profits from exporting are not paper profits. It requires only elementary accounting to check profits from foreign sales.

Exporting is Merchandising.—There is often ample justification for problematical expenditures in introductory sales campaigns here at home. In export trade, particularly in the early years of any single firm's experience, there is usually such an obvious course to be pursued that it is a matter of investment rather than speculation. There is seldom need today for the new exporter to seek out markets whose possibilities are not already known. The differentiation is that of travel compared with exploration.

Exporting is no longer "the great business adventure." It is prosaic merchandising, not romance. Harbors have been discovered—reefs have been charted—surface details different from the ordinary have been recorded. There is a wealth of information on every market, large and small. The day of the sailing ship laden with beads and rum, seeking strange lands rich in ivory and images, has passed. Export trade today is conducted in terms of card indices and statistical bureaus.

The duty on pink pajamas into Patagonia is as carefully recorded as the wind velocity in New York City at 11:00 a.m. on March 6, 1913—and equally accessible. Individuals, associations and the Government have for years been gathering and sifting, checking and analyzing information on foreign markets. The problems of foreign trade are common sense problems of organization and selling.

Present Day Overseas Conditions.—These facts are too seldom understood. The non-exporter often wrongly feels that he must set sail on uncharted seas and must divorce himself of friends and landmarks. Instead of a condition true many decades ago, he will find himself on avenues of transportation long since standardized, his competitors often present and his companions not alone Steel, Harvester and Oil, but also Gillette Razors, Regal Shoes, and Royal Baking Powder. Very possibly he will find to his surprise that "the little shack of a factory 'round the corner" is his predecessor in foreign fields and better known in Bombay than in Boston.

There is no mystic recipe which is needed in order to enjoy foreign profits. Success in foreign trade is not necessarily preceded by governmental subsidy, monopoly or vast capitalization. The product itself may range from a queen bee to a

suspension bridge or a battleship. Fortunes at home or abroad have been made from toys and from locomotives. Cap pistols and candies—lockets and lumber—saucers and sausages—from A for Australasia to Z for Zanzibar there is an existing market for products and ideas, service and religions.

Domestic Sales Conditions Not Standardized.—Strange conditions are not confined to foreign lands. Brown eggs in Boston bring three cents more per dozen than white eggs. White eggs in New York bring three cents more per dozen than brown eggs. The drug store of the Middle West is no more the drug store of New York's East Side than the Copley Plaza is the Salvation Army barracks. Our several states differ even more radically in taxation statutes than Peru and the Fiji Islands differ in port of entry procedure.

Invoices for railroad and governmental contracts are often more complicated than an export invoice showing case numbers and weights and measurement with metric equivalents. There is a large manufacturer in New Jersey who for years has made no serious effort to secure a share of the next-door New York market. He has found it more profitable to develop his foreign sales.

There are too many misconceptions of foreign trade even to list. Fortunately, each and every one is easily dispelled by investigation. "Foreigners are crooks"—but in no greater percentage than Americans; "foreigners want only cheap goods"—an amazing misconception. They want the highest-priced typewriters, sewing machines, cash registers, safety razors—wanted and received coat-front shirts before they were known in Brookline or Denver.

THE COMMON SENSE ATTITUDE IN EXPORTING

Export trade is based on common sense. It is the presenting of an article to the attention of a prospective purchaser, the exchange of value for value and the creation of personal relations between co-partners—maker and merchant.

The queries arising in connection with foreign trade all have common sense answers. "Why is foreign business conducted on a documentary time draft basis?" Because common sense tells us that in extending credit it is well to define clearly the maturity date; because the foreign documentary draft is decidedly better

even than our "trade acceptance;" because foreign trade in many ways is far more business-like than our domestic trade.

A First Question.—"How can I select a good export sales manager?" Common sense tells us that it is easier for an executive familiar with sales, to select any variety of sales manager than to select a competent chemist. It has been said that two questions and their answers will test an applicant for an export managership:

1. Can you sell goods?

2. Who says so?

Common sense tells us that an export sales manager should be a sales executive rather than a linguist, and a builder of sales campaigns rather than an encyclopedia.

"Can credits be safely extended abroad?" Common sense tells us to seek the authorities. Investigation through credit associations and governmental departments proves that there are facilities for securing adequate credit information. Letters to long-established exporters bring back the truth that credit losses on foreign sales average less than on a similar volume of domestic sales.

The Cost of First Steps.—"Is it necessary to spend thousands in preparation for export sales?" Common sense tells us that we have a choice of methods in any attempt to secure new customers. If we desire many new customers rapidly, common sense and its twin—experience—tell us that it will require greater expenditures and investment than if we are willing to proceed slowly.

When Should Salesmen Be Sent Abroad?—"Must we send our own exclusive salesmen abroad in order to secure foreign orders?" Common sense tells us that domestic experience must be consulted. Some highly technical lines demand export salesmen from the start. Other lines—novelties, for example—can frequently be sold by mail alone. In the majority of lines, common sense tells us that sooner or later the personal touch of the salesmen will prove necessary to the fullest sales development in some of the many worthwhile markets.

"Must we translate our own letters and our price lists into foreign languages?" Common sense tells us not to put the artificial obstacle of language between buyer and seller. The cost of translation service is small in comparison to the size of the barrier it removes. There exist competent translation

bureaus in connection with, as well as independent of, the organizations devoted to foreign trade.

Accurate Records of Regulations Exist.—"How can we avoid costly errors arising from failure to comply with regulations in foreign countries?"

Common sense tells us that these regulations must be a matter of record. Common sense tells us that if we inquire of those actively engaged in foreign commerce we can locate reliable sources of information. Common sense tells us that what others are doing correctly day in and day out cannot be a matter of guesswork. There is no problem of foreign trade which common sense cannot answer immediately or after consultation with recognized authorities.

The common sense attitude is a necessity. Unless exporting can be reduced to an understandable basis and brains trained in solving domestic problems used in securing, holding and increasing overseas customers, then it is indeed a doubtful adventure.

Importance of Correct Organization.—The common sense attitude must extend from mailing clerk to president. If the clerk is panic-stricken when faced with the necessity of correctly stamping a letter addressed to Madagascar he will make unnecessary mistakes—and irritate possible customers. If the president secretly loses confidence in his judgment when faced with a question of foreign trade policy, then his decision, based on fear of the unknown, may handicap his house for decades.

It is entirely proper for the highest executives to place the burden of initiative and responsibility on a selected member of their force. But they owe it to the man they select, to themselves and to the business itself to be ready always to coöperate intelligently, without fear and from a common sense viewpoint.

The common sense attitude of seasoned executives is most valuable in solving to best advantage the problems which arise frequently in opening new markets. Several years ago a Boston manufacturer was faced with the necessity of prompt action on an exclusive agency problem which had angles leading into several Central and South American countries. By divorcing from the problem all but the essential factors it became not a foreign problem but a business problem. As such, a higher executive than the export manager solved it at a glance. He saw a way far better than was within the limitations of the export manager's shorter business experience.

Common sense told the export man that the situation which he faced deserved the attention of the highest executives of his corporation. Common sense told him to eliminate all distracting details. Common sense enabled the higher executive to use his domestic experience to determine the one right course of action.

Looking into the Future.—The common sense attitude above all else sees that there is a tomorrow after every today. It realizes that there is only lack of sense in seeking to secure foreign customers today and then abandon them tomorrow.

Every step in exporting must be a forward step. The common sense attitude enables each step to be made in safety and to be a direct advance toward the goal of world-wide distribution.

“Foreign trade is not so new and not so untried but that the exporter can find plenty of records of other men’s failures and other men’s successes by which to guide his own efforts.”—W. H. Lough.

COMMON SENSE IN SELLING METHODS

Visions of caravans, races strange in costumes and customs, long winding rivers and mountain chains which divide a continent have many times blinded sane business men to common sense tactics in selling merchandise abroad. Surely the trade of such unusual countries must be sought by methods equally unusual, is the thought which has been responsible for many follies in export endeavor.

The city dweller in the United States must keep before him always the truth that here at home there are unusual methods of transportation. We, too, have aborigines, long winding rivers and even the Rockies which are, after all, only the Andes called by another name. Here at home our biscuits are eaten (and given preference over the wheat cakes of tradition) by races fantastic enough in customs and costumes. Yet here at home we put the “foreign language dailies” to the acid test of advertising value. We should abroad.

Unbalanced Plans Are Dangerous.—Here at home come to us visionaries who wish us to emblazon our brands on captive balloons and on mirrors. We reject these schemes because of their lack of suitability to our plans as a whole. We should abroad. Letters come to us from the smaller towns of Texas and Oregon seeking the agency for our products. These requests we grant *only* when their granting increases the effectiveness of our major sales plan. We should do likewise in our foreign trade.



FIG. 1.—Waltham watches over Japan. The Imperial Government proclaimed June 21, 1921 as Time Propaganda Day to impress upon the Japanese the value of time. The Tokyo Manager of the Waltham Watch Company can be seen under the sign which literally translated reads "Set up your watches accurate by the Waltham Chronometer, standard time of today." The booth was set up on the Ginza—the Broadway of Tokyo.



FIG. 2.—An overseas paradox. Standing still, marking time and running. This Ingersoll novelty was photographed in the park system of Buenos Aires after it had been barred from the streets for drawing traffic obstructing crowds.

We see huge businesses built up by a gigantic catalog—and no salesmen. Yet here at home we recognize that our products require a different method of merchandising. This condition does not change with the crossing of an imaginary line on the world's surface.

Soundness the First Essential.—Always the fundamental must be sought before we adopt a method for overseas sales expansion. If the method advocated is not one which would be employed in the domestic market, common sense will insist that its advocate prove that the exception is wise and necessary in foreign fields.

There are many valid reasons for modification of methods in order to meet conditions which vary from the normal. The good salesman knows that one prospective customer can never be sold by direct attack, and yet his next door neighbor insists on a face-to-face duel over every order. The good advertising man realizes that his argument must meet the requirements of his audience.

A certain soap, for example, is sold in many sections of the United States because it is at its best with hard waters. It bases its sales argument in these sections squarely on this merit. In other parts of this country it never mentions this feature, because the opportunity for its successful exploitation is absent. Instead, it emphasizes its convenient shape, its economy and its many uses.

The Basis for Success.—Similarly, common sense has insisted that distribution for many makers is not a matter of nation-wide catering to either jobber or retailer, but concessions depending on the character of the towns and cities even within a state. There exist, in a highly developed form, methods of distribution in some foreign markets for which we have no domestic counterparts. Common sense urges the study of these new sales weapons. It reminds forcibly that the good merchandiser is the one who knows every means of attack and their uses, the one or ones best suited to his product and needs.

There is a common sense way to value each and every method of selling goods. Often it is consultation with men who have experimented and for reason accepted or rejected. Study of the successful exporter often leads straight to the adoption of the methods responsible for his success. Analysis of the ways and means of a merchandising triumph abroad often brings to light

elements unsuspected or values enhanced by combinations. It is better to act on an ounce of proved fact than on a ton of free advice behind which there can be found no proofs.

The Common Sense Searchlight.—Centuries have added nothing to the four methods of selling. The salesman, the letter, the advertisement and the sample or testimonial remain our only choices. When we are asked to adopt combinations of these four, or modifications, we can turn back the pages of mercantile history and on the past gauge the future.

When offered a chance to participate in selling goods by stereopticon slides displayed on the Amazon; to sell goods at less than cost "in order to secure a foothold;" or to visit the Esquimaux in order "to gain much from first-hand observation of their quaint habits," always test the suggestion by a common sense analysis of the saneness of the method.

Make this statement to those who seek your coöperation in such methods:

"The plan would not appeal to me as sound here at home."

Ask this question:

"What common sense reasons are there to prove that I should vary my domestic practice in the markets you desire me to exploit?"

Applied common sense in selecting export methods is a long step away from regrets.

CHAPTER II

EXPORT TRADE AS INSURANCE

"We seek foreign trade because we know that its attainment . . . is vital to all within the nation's borders."—C. K. McIntosh.

Export Trade Is the Only National Insurance. Overseas Sales Provide Safety Factor Against Periods of Domestic Depression. In Panic Years at Home the Exporting Manufacturer Reaps Greatest Reward. Exporting Protects the Individual Enterprise, the Community and the Nation. Advantages Which Accrue to Exporters in Their Domestic Fields.

World-wide distribution is the sole insurance of real value against times of domestic financial depression. It is practical business insurance to divide the risks of credit and depression over the widest possible territory. Sane selection of foreign customers is based not on placing all foreign eggs in the basket of a single foreign market, but on distributing these in such cities as Yokohama, Shanghai, Hong Kong, Sydney, Melbourne, Bangkok, Bombay, Cape Town, Rio de Janeiro, Buenos Aires, Valparaiso, Lima, the capitals of Europe, such wonderful cities as Constantinople, Cairo and hosts of smaller but *buying* centers.

ESTABLISHING A FACTOR OF SAFETY

When a manufacturer has built up a clientele in foreign countries whose purchases form even a modest fraction of his total output his factor of safety is decidedly greater than that of his non-exporting competitor. Following the customary practice of defining payment dates by drafts, he is sure of a sufficient volume of payments at anticipated times to tide over any temporary stringency in the domestic money market; whereas, the very cause of the calling in of loans which makes it desirable for the non-exporter to make prompt collections will cause such customers to seek extensions. This factor of safety increases out of proportion as the percentage of exports is increased because, particularly on lines bearing a high profit, the manufacturer is able to meet his entire obligations at maturity from his proceeds on foreign orders and could even close down his factories fo 1 a

period of several months and make no attempt to enforce domestic payments due.

When Panics Come.—In fact, it is in a panic year that the direct exporting manufacturer reaps the greatest domestic advantages. While his competitors are forced to conserve their resources he can conduct sales campaigns in every city they are forced to neglect. Where the non-exporter must offend slow-paying customers with imperative demands for settlement he, enjoying a steady influx of payments representing cost plus profit, is in a position not only to extend longer terms and to be lenient in collections, but also to solicit the patronage of the slow-paying but responsible buyers offended by competitors' collection methods.

PROTECTING THE CUSTOMER AND THE INDUSTRY

Not only is such a manufacturer's position of value to himself but it is a decided benefit to his customers and his competitors' customers. For it enables the dealers, constituting "the trade" as applied to his line, to conduct business under normal business conditions and meet more pressing obligations from their natural resources without forcing unfavorable loans or having their credit strained beyond its possibilities. Multiply the single exporting manufacturer by all his mates in all lines, and a veritable sea wall is erected against the storm of financial stringency. Can there be a greater panacea for a panic caused by lack of money at home than a steady stream pouring in from abroad?

Preventing Domestic Depression.—There is only harm in sales at bargain prices abroad when the domestic market is glutted, or in the dumping of obsolete and below-standard products on which no future is expected or possible; but in the carefully developed world-wide markets made possible by the superior quality of American-made goods backed up by intelligent coöperation with foreign dealers and good service, even in the height of domestic seasons, there is the one sure preventive of depressed financial conditions at home.

The Best Insurance.—There is no doubt that the business world within our boundaries is considering export trade in the light of insurance more seriously than ever in our history. No longer is it regarded as a mystic way of earning dividends open only to a few who in some magical manner have inherited an open sesame. It is no longer considered as only a minor side-line

to be used and abused as a toy. The enthusiasm created by the building of the Panama Canal and "discovery" of South America has been tempered by the War and a sudden realization that the world, after all, contains other continents.

The question of today in the business world is "Can we regard foreign trade as permanent insurance of our commercial life?" This is just the type of sane question which in itself shows remarkable progress in so short a time as the last decade. The robe of mystery has been torn from exporting; the day of "blue sky and bunkum" is slowly passing. At last, every manufacturer of progressive inclination is regarding the acquisition of foreign business from a common sense standpoint.

When to Insure.—There is obviously no sound reason for preparing for insurance through an export future which, like a mirage, will always be beyond reach. Unless present effort will result in permanent profit, our businesses had best confine their efforts to improvement of product and distribution in the home market, which still offers wonderful possibilities for expansion for the great majority of products. Unless the work of today will be but the cornerstone of the monument of tomorrow in foreign fields, the idea had best be relegated to the graveyard of other alluring but impracticable ideas.

It should be known as an axiom that the nation whose manufacturers' products are sold in every corner of the world is panic-proof as against internal conditions. The best insurance against a national panic is a healthy export trade.

CHAPTER III

EXPORT POLICIES—THEIR WHYS AND WHEREFORES

"Policies, or the system of procedure adopted as the best, are calculated to further the best interests of the individual or the nation."—Charles Morris.

Why Export Policies Are Indispensable. Policies Must Be Established to Protect Rights. Efficiency Demands Establishment of Policies. Success in Foreign Trade Depends upon Establishment of Sound Policies. Policy of Executive Control. Methods of Executive Control. Manufacturing Policy. What Products Shall Be Exported. Price Policy. How to Price Merchandise for Export. Sales Policy. Credit Policy Essential. Important Points to be Considered in the Administration of Advertising Policy.

Export policies are indispensable primarily because they are essential to the just administration of overseas trade. In justice to the business itself there must be policies to prevent discrimination against domestic trade and those whose interests lie wholly or largely within the realms of domestic trade. The business as a whole must be insured against both unwise diversion of capital to foreign sales, endeavors and loss of capital in export territory.

WHY EXPORT POLICIES ARE INDISPENSABLE

In justice to the merchants of other lands, export policies must be established to protect the rights of the buyer. Consumers in Patagonia and Paris have rights which the exporter must insure by the establishment of policies for their protection. The men whose time and effort are given to the development of a foreign trade for the enterprises they represent are entitled to have their work guided into safe harbors by policies which prevent failure from preventable cause.

Efficiency demands the establishment of export policies. Export policies insure that under the same circumstances identical steps are taken, the same quotations made and the same favors granted, not after extended and time-wasting investigation, but as a matter of course.

Policies Which Promote Sales Expansion.—Export policies make certain a well-balanced development. Markets are sought and secured in orderly sequence, and the future is never handicapped. Customers secured by merit of the product offered become co-partners because of the carrying out of policies designed to accomplish this end. Logical markets are not neglected. The tempting but unwise sales opportunity is examined by rule and rejected by rule, not accepted and regretted. Footholds gained are changed by the execution of export policies into positions sound for both defense and offense.

It can be stated with emphasis that success in foreign trade depends upon the correct formulating of export policies and not upon governmental subsidy or paternalistic legislation. The market places of the world will never become filled with the products of the United States while its exporters loll in their arm chairs and await the day when the government will make sales for them and remit collected profits by uniformed messenger. Conversely, it is only equitable to all of the people that in each piece of legislation and in each treaty there be a clear recognition of the export interests and the rights of the overseas trader. This applies not only to tariffs and import regulations and restrictions, but also to all legislation which, directly or indirectly, affects the interests of any other nation. Muscles made flabby by a diet of pre-digested food are bound to prove treacherous in the inevitable hand-to-hand conflict at the end of each export journey. Export policies are insurance against self-placed obstacles. There are today literally scores of exporters whose progress is retarded if not permanently arrested by early and unwise granting of exclusive agencies in the wrong places.

A FAILURE DUE TO ABSENCE OF POLICY

A typical example is shown in the present-day situation of a Pennsylvania manufacturer. The buying capacity of South America would well warrant the sending of a high-grade salesman. Because of the lack of an export policy of logical development, this manufacturer has made such an eminently desirable sales attack impossible to be a profitable effort. The salesman could not be successful in Brazil because of an agency contract barring sales even when the agent would surely profit by them.

In Argentine the salesman would be bitterly handicapped—

because unwisely three of the eleven allied products of the manufacturer are held under agency privileges by three different (and indifferent) "manufacturer's representatives." No sane dealer could be persuaded to stock the manufacturer's remaining products—it would be as absurd as for a hardware dealer to attempt to sell ice cream freezers without dashers. In Ecuador the salesman would receive a royal welcome—from a dealer agent on a side street whose agency privileges and prices are an insult to the logical agency material available once—but not after such an error. An identical situation is to be found in Colombia.

With the map of South America before us we can see that the only countries left open for the unhandicapped efforts of the salesman are Uruguay, Paraguay, Chile, Bolivia, Venezuela and the Guianas. To attempt to route a salesman economically or effectively to cover these "free" countries would be too great a task for the most expert. Export policies prevent such travesties.

EXECUTIVE CONTROL

The policy of executive control is fundamental in establishing an export department or in planning to develop a foreign demand for one's product. Exporting is more than export selling; it includes selling, manufacturing and financing. All these various functions can be successfully harmonized only when the person responsible for the development of the export business is big enough to be outside of, and free from, all department prejudices. The export manager should have some executive to whom he can go for consultation and for advice, so he may know that he is constantly working in harmony with the general policy of his house. This does not mean that an executive officer of the company should pass on every question of export detail that comes up; it does not mean that he should give his entire time or constant attention to the export department. There are a number of ways by which an executive can control and increase the foreign trade of the company and yet give only an hour or so a day to the export end.

Control Methods.—These ways can be listed:

- The conference committee plan
- The chart plan

The results plan
The monthly report plan
The territorial budget plan
Dovetailing domestic and foreign initiative.

Again it is apparent that one volume would not be enough to more than sketch the details of such a comprehensive group.

The Conference Committee Plan.—There are two angles to the conference plan. The executive delegates to the sales department or, even better, to an individual in the sales department, the authority to act upon the plans made and policy established. By a half-hour daily conference at a definite time the controlling hand is kept in constant touch with the development. With each start of a plan of general interest a conference of all department heads is called and a brief discussion invariably results in each department's knowing not only its own part but also the relation of its part to the plans as a whole.

Fundamental Graphic Visualizations.—The chart plan is based on weekly graphs. These visualize by curves or other symbols the progress of foreign sales and sales expense, credit losses and expenditures of all appropriations. It can be arranged to show at a glance sales by countries or other geographical divisions.

The results plan calls for reports only when sales, expenditures or credit losses are a stated per cent more or less than pre-established standards. In addition, reports show establishment of new agents or agencies, progress of salesmen, and detailed returns from each separate campaign.

The monthly report plan can be arranged to be either merely a "results report" in figures or, better, a dictated summary of activities.

It can be arranged to cover each of a varied line of products or be divided geographically so that the monthly history in each country is covered by few or many sentences, according to matters of interest which have transpired in the preceding month.

Dovetailing Domestic and Export Initiative.—The executive mind will soon train itself to the final phase, listed under the "Hour-a-day Ideal." It will become second nature to dovetail domestic and export administration. Instinctively each domestic problem solved will simultaneously solve the export problem, differing only in surface details. This is the dividend of the executive brain, which, with scarcely an additional conscious

thought, solves two problems and provides a dual outlet for productive sales ideas.

MANUFACTURING POLICY

It frequently happens that while a demand may exist abroad for a commodity, the market requires that some change in the standardized American product be made; for example, changing the steering wheel on an automobile intended for use in England from the left to the right-hand side, because the English rule of the road is to the left instead of to the right.

Preparation for Exporting.—A decision on the part of the manufacturer to export may entail changes in the factory. It may be necessary to increase factory space to take care of export orders; it may be necessary to install in the factory equipment to make a product that will sell abroad, *e.g.*, certain foreign countries want shoes with a short vamp; to make them the shoe manufacturer must make a considerable investment in lasts with short foreparts.

Preparing goods for export may necessitate certain modifications in the domestic manufacture, as a manufacturer who has been putting his product into a certain kind of a container may find that that container is not suitable for export trade; that it is not feasible for him to use one kind of a container for export trade and another kind for domestic trade; and so, if he is to export, he must adopt a new container which will be suitable for both export and domestic trade.

It is not the intention here to delve deeply into the problems of "special packing" of export shipments. As a matter of policy, however, it should be emphasized that any deviations from normal packing should be based upon definite facts. There is a vast difference between a scientific investigation of requirements and the off-hand acceptance of suggestions made by importers abroad or the folly of the belief that the merchant in the foreign field never knows what is needed.

Innumerable questions similar to these arise, depending upon the product, the process of manufacture and the method of packing.

The Basis of Manufacturing Policy.—When an American manufacturer decides definitely to undertake exporting, he must determine what manufacturing problems he is to encounter and

what his policy is to be in regard to each one. If he does not do this, he is in danger of vacillating between blunt refusals to meet the trade demands abroad on the one hand, and expensive changes in production methods on the other.

It is important that the manufacturing policy should be fully determined before the first line of export samples is manufactured.

Selection of Exportable Articles.—The next logical step is the decision on the part of the manufacturer as to what articles he shall export. Manufacturers whose domestic catalogs contain a wide variety of articles may not, for one reason or another, desire to create an export market for all. On some articles conditions in the factory may limit the output to what the domestic trade can absorb readily. Other articles may be sold on an exceedingly narrow margin of profit, or at some disadvantage to the manufacturer, for the purpose of rounding out a line or of meeting competition and, therefore, may not be needed in export trade. Other articles may not be exportable; still others may be in a more or less experimental stage, and it would be unwise to export them until they have been tested out at home. Hence the first thing for the export manager to do is to select from the entire line that his company manufactures, those particular articles, or items, on which he intends to build, or at least to start, his export business.

PRICING GOODS FOR EXPORT

The only sound reason for exporting is net profit over a period of years. Regardless of all else, prices must be on a basis that will, over a period of years, show a net profit. This does not mean that the profit must show the first month or the first twelve months; but it does mean that the goods must be priced in such a way that the introducing, advertising, and other expenses which may more than eat up the profit at first, may be paid for later. This means scientific pricing, and must be based on:

- A. Production or factory costs—including factory overhead
- B. Selling costs
- C. Administrative expenses.

In every well-ordered company, the factory costs are figured accurately. The other costs should be so figured, and it should be borne in mind that quoting prices is serious business, and no prices should be given out that cannot be lived up to.

The exporter should make certain that his prices include adequate profit, to secure which may require a somewhat larger margin than on domestic sales.

Extra sales effort is to be anticipated in an international market. To the novice in exporting obviously greater risk is inevitable because of contact with new circumstances.

Testing the Tentative Price.—Having arrived at a price by adding costs and profit, it is necessary to determine the salability of the article at that price in a competitive market. Even if the price at which the manufacturer must sell his product is somewhat higher than that prevailing for similar articles in foreign markets does not furnish any more reason for despair than a similar condition in the domestic market. Foreign customers as well as domestic appreciate quality. The better the article, the more readily can it absorb the transportation and tariff charges. In exporting a manufactured, branded article of good quality the American manufacturer should not hesitate to place a fair price on it. And if a market will not pay a fair price, it should not be cultivated.

When the price has been established at which an article must be sold the question of method of quoting prices arises. In practice this often involves the use of list prices and trade discounts which vary according to class of customers, quantity purchased and other factors.

Why Discounts Vary.—The price to the small retailer usually should be higher to enable the exporter to give greater discounts to larger buyers. Often the manufacturer will have as a representative in a country an importer who buys for his own account. He must, of course, have the rock-bottom price, which should be the cost of production, plus the handling cost, plus a reasonable profit. There may be in that territory large wholesalers who insist on importing direct from the manufacturer. Many times it is easy to induce the importing agent to agree to an arrangement whereby he is paid commissions on the purchases of these wholesalers.

To give the agent this commission, it is necessary that the wholesaler should pay more than the importer. Similarly, there may be some large department store or other large retailer in some city which insists on buying direct from the factory. Here, again, arrangements can be made with the importer and with the wholesaler that will permit the large retailer to import

directly, provided the wholesaler receives a commission and the importing agent receives a commission. This, of course, means that the retailer must pay a higher price than the wholesaler, who, in turn, must pay more than the importing agent. But the large retailer need not pay as much as the small retailer.

The Menace of Incorrect Pricing.—All this is perfectly just and logical and is easily arranged, if it is planned for in advance. But unless it is planned for definitely, and unless each customer in a given territory who buys direct from the manufacturer is analyzed and catalogued as to his exact relation with the other buyers, confusion is almost certain to result, together with a demand upon the manufacturer for further discounts and allowances. One manufacturer sent out a catalog to the retail trade based on his lowest selling prices. He obtained orders from retailers which he filled. The line proved to meet popular demand. Wholesalers and importers were interested, but the maker could not sell the wholesalers because he could not afford to give them a better price than had already been given to the retailers. As a direct result the line was never sold in large quantities—ultimately was not sold at all.

In foreign trade as in domestic, the salesman is likely to overestimate the importance of price competition. It is natural for the buyer, in looking at a line of high-priced goods, to tell the salesman a named competitive line can be bought cheaper. The buyer usually tells the truth, but selects a line whose prices and quality are both low. Frequently the comparison is so obviously unfair that it suggests its own answer. But in other cases where the competition is from a foreign country—such competition as England might give us in Argentina—the export manager may not be familiar enough with the competition to explain his high prices. But if a factory is properly organized and is not charging unreasonably large profit, it is usual to find that if his prices are higher than his competitors', his goods are better. Not only the trade but also the consumer will recognize this and will buy largely of the better goods.

Solving Problems Which Test Rules.—There are exceptions which at first perplex. In a certain foreign country two lines of shoes dominate the market. One of these lines is ordinarily regarded here as being far superior to the other—at least two grades higher. In this foreign country both sell for practically the same price. If there is any preference it seems to lie with

the line which in this country is sold cheaper. The explanation lies in the better merchandising of the lower-grade shoe.

No American manufacturer can afford to turn his back on foreign competition. He should keep widely awake to it. But he should also realize that his competitors, both in this country and abroad, are obliged to do business on a business basis. If they undersell him, there is probably some reason for doing so. If each American manufacturer will but analyze the competition exactly the way he is accustomed to do in this country he will find wherein his product excels. Then he can use this superiority as a selling argument; so that really his high price will be an advantage rather than a detriment.

Unfair Price Competition.—In the past, some American manufacturers have been guilty of needlessly selling their products abroad cheaper than they sold them at home. Many have figured that their sales in the domestic market carried their entire administration overhead, so that any sales they made in foreign countries were “velvet,” and that it was necessary only to figure the cost of material, wages and actual operating expenses on goods shipped to the foreign country. This enabled them to undersell other competitors who were figuring their costs honestly. This virtually constitutes unfair competition. The Webb Act specifically forbids unfair competition in the case of Webb Act corporations.

It is reasonable to feel that the Federal Trade Commission will take a decided stand when such practices are brought to its attention. Apart from this, it usually is poor business to distribute arbitrarily any part of the cost of running a business.

SALES POLICY

The manufacturer going into the export field finds two distinct methods of selling open to him in practically every market—the direct and the indirect.

Direct selling means dealing directly with the customer in the foreign country, soliciting the order, arranging for its financing, packing, shipping and collecting.

Indirect selling means selling the goods to a third party who secures the order, arranges for the financing, gives instructions for packing, and who ships the order for the manufacturer.

Advantages of Indirect Selling.—There is no question that the

indirect method is much more simple. It is a serious question whether it always brings the best results. Indirect selling may be done through commission houses, export merchants or manufacturers' agents. Direct selling may be done through branch houses, traveling salesmen, resident representatives or by mail. All these subdivisions will be fully discussed in later chapters. But the manufacturer should decide whether he is going to be committed to either indirect or direct selling, or the one method in some territories and the other method in others. A manufacturer entering export business should have a sales policy and should decide upon his sales method, and not leave the decision until an application backed by a small order comes in and demands an immediate decision.

CREDIT POLICY

Merchandise can be marketed abroad either on a policy based on cash payments before shipment or on arrival of goods, or on the extension of time after arrival of goods at destination. Any policy which results in the extension of time after delivery of goods is based upon acceptance of the truth that credit attaches itself to the individual, and the complementary truth that credit permits a far greater volume of business than is possible based upon cash payments. Each manufacturing exporter must decide for himself, based on his own financial strength, whether his decision involves extension of time in which the importer can, in part or in full, pay for his purchases from the proceeds of the sale of the imported merchandise.

It is generally recognized that because experience has proved foreign credit losses to average less than losses on a similar volume of domestic business, a policy can safely be adopted which permits extension of time to foreign buyers. This policy does not of necessity tie up otherwise liquid assets. Because of documentary draft procedure which prevails in international commercial exchange, two-name paper comes into existence and forms the basis of collateral on which banking institutions are accustomed to advance money. In the determination of a credit policy the exporting manufacturer can thus divorce from the problem the thought that his cash resources are diminished by foreign trade. As a matter of fact, they are increased, because he is turning his raw materials, plus production and overhead

costs, into a greater sum by the addition of his legitimate profit on his foreign sales.

Long Credits Detrimental.—Having determined upon a policy which involves the extension of time, a policy should be established which controls the amount of time extended to importers abroad. Contrary to a once widely prevalent belief, six-, nine- and twelve-month credits are a detriment rather than an asset in the importation of many lines of merchandise. If the importer can liquidate his stock in three months, it is a detriment rather than a help to him to have six months in which to pay the amount of the invoice. For, not being called upon to make payment when the proceeds of the sale are in his hands, he is tempted to reinvest those proceeds, or to speculate, as he is thus placed in possession of funds in excess of the legitimate requirements of his business. It is conceivable that the proceeds from the sale of an American invoice may be used for the purchase of goods manufactured in another foreign country, and the funds may not be available at the end of six months when the original bill is due. The entire fabric of sane foreign credits is woven from the threads of common sense.

Advertising Policy.—Advertising, in export as in domestic business, may be used to market a product, or to build up goodwill, or even to introduce a salesman. It may be directed to the dealer or to the consumer. It may be carried on by mail or through the pages of export journals published in this country and circulated abroad, or through papers published in foreign countries and having local circulation.

The policy should decide: First, who is to be reached; second, through what media; third, how long a period should be devoted to the advertising; fourth, how much money should be expended in the effort, and fifth, the type of appeal.

CHAPTER IV

ORGANIZING FOR EXPORTING

"Above all, the export department should be given full and constant consideration, and not treated in an opportunist spirit as a mere adjunct, a non-essential speculation, to be pushed or neglected at convenience."—Frank M. Dudeney.

Vital Factors in Organizing. The Allied Company. The Selling Company. The Separate Export Department. Cooperation between Departments. The Export Appropriation. Items of Export Expense. The First Year in Exporting. A Typical First Year's Export Appropriation. Later Appropriations. How to Use an Experimental Appropriation Effectively. Personnel of Typical Export Organizations.

There can be no "rule of thumb" measurement which will determine the exact type of organization which will best serve a manufacturer in his quest for profits from export trade. The size of the enterprise—the nature of the product—the amount of production available, actual or potential—the existing domestic sales organization—these are vital factors in reaching a correct decision.

The four outstanding forms of organization are:

1. The Allied Company
2. The Selling Company
3. The Separate Export Department
4. The "Built-in" Export Department.

The Allied Company.—The allied company is a device whereby, on outright purchase or royalty division, a firm's name is taken over for definite territory by a separate corporation, which may be controlled either by men associated with the export company or by outsiders. Such arrangements may involve patent rights. Sometimes they are necessitated by statutes imposing prohibitory conditions on foreign companies. The allied company is frequently employed as a means of dividing financial responsibility by certain lines subjected to abnormal commercial risks. Here as abroad, in such extra-hazardous ventures, it is not an unknown practice for investors to divide their holdings, so that they are self-insuring.

The allied company is really more of a financial than an export device. Unless conditions prohibit exporting by other means, it should be considered a last resort, rather than a tool to be used in connection with any phase of direct exporting. There are exceptions in the successful allied companies of some of the very largest industries. It must be granted, however, that the manufacturer who adds intricate financial arrangements to his export sales problems complicates matters at a time when he should be simplifying them. Selling his overseas possibilities to the allied company is usually an admission of inability to handle the situation in foreign markets.

The Selling Company.—A selling company is a form of organization entirely distinct from that of an allied company. In brief, a selling company is a separate sales department of a business, which buys either at prices stated in advance or determined at the end of each year and based on cost. Its business is confined to selling, whereas an allied company may manufacture abroad, as well as control patent rights. The U. S. Steel Products Co. and the U. S. Rubber Export Co. are examples of the selling company.

A business may reach that point in its growth where the use of its domestic trade machinery in foreign selling ceases to be an economy. It is here that the establishment of a selling company often brings more rapid development to both home and foreign business by separating the two interests, by assigning the responsibilities to different organizations, and thus eliminating the complications bound to enter into the human problem when dual duties rest upon the same man or set of men.

The Separate Export Department.—The dividing line between a selling company and a separate export department within the company cannot be clearly drawn. Minor differences exist in some cases, and clearly defined ones in others. A separate export department within a company, for instance, may assume direct control over such matters as foreign advertising, foreign credits, foreign shipping and foreign collections. It may possibly have even a separate manufacturing department for certain products not sold in the United States.

There is no set formula upon which to depend in determining just where the exclusive activities of a separate export department shall begin or end. It is a matter of executive policy based on the best interests of the business as a whole. The simplest

form is obviously that of the separate sales department. With less than that it falls into the class described in subsequent paragraphs. On the largest scale, its functions go clear to the border line of the separate selling company.

The "Built-in" Department.—The arguments in favor of a "built-in" policy for the development of foreign sales are based on broad grounds and deserve the utmost consideration before an export system of organization is finally chosen.

Trace a single order from its receipt. If the one man responsible for the sales end of exporting is to handle all foreign business without interference (or assistance) it is obvious that he will be a fairly busy man. If he looks after all the ends of exporting; if he opens the envelope, unfolds the order, gives it an account number, prices it, gives detailed instructions as to its terms, method of packing, proper classification for billing; if he enters it, conveys to the different departments the proper copies, registers it, enters it on the several history records, orders stock and packing, handles the advertising matter and samples, cases it, stencils it, packs it for car shipment to the terminal; if he credits it, bills it, registers it from draw-back, attends to drafts, then attends to collection of the account and the draw-backs, and incidentally acknowledges it; if he enters it for the year's summary (geographical and financial), follows it up, secures additional information on the account, sees that the proper salesman gets a record of the transaction, and that the resident agent is advised and receives his credit memo.—if he attends to all these duties, assuredly his days will be fully occupied, with little time left for plans to seek more business.

It is logical that the export end of a business should use such tools as are available in the business rather than build an entirely new set. Every good business man knows that danger exists when responsibility for sales and for credits is joined in the same individual or department. The principle that the man who sells should be the last man to pass on the credit of orders he obtains is unchanged by the mysterious word "export." In the face of this truth the export manager in many concerns frequently passes on foreign credit risks. Foreign credits are primarily based on the same three C's—Character, Capability and Capital—which form the foundation for domestic credit. If this be true, then the domestic credit department, in coöperation with the export department, can bring to the handling of foreign business a degree

of specialized knowledge which alone can yield the maximum of orders with the minimum of losses.

Too often it is assumed that a specialist is required for every phase of overseas trade, even when these phases directly correspond to phases of domestic trade, so far as fundamentals enter. The differences are only surface details.

Fortunately, it is a matter of daily proof in hundreds of well-organized houses with established export sales that the only real need is to acquaint the several departments already existing with the actual surface differences. These once mastered give to the export enterprise not only the experience of the business as a whole, but also the individual experience and judgment of every man in every department through which the export order may pass.

Export sales, like domestic sales, cost money to secure. From the 2 per cent of the sales volume of a large exporter of an automobile *necessity* to the 60 per cent sales expense of an automobile *luxury*, the relation of cost to sales volume can be fixed only by the profit margin, common sense and the proportion of established to undeveloped foreign business.

The determining element in export expenditures is value. It may be worth 50 per cent of the total sales of a traveler's first trip to establish new connections; it may be worth 30 per cent to nurse a territory along in early years, and still be a gross extravagance to over-fertilize a yielding territory by a 10 per cent sales expense.

Testing the Export Plan.—Only a carefully considered policy warrants speculative export investment which should only exist as part of a well-considered whole.

A definite export plan alone justifies any export appropriation. The firm that examines its finances and lays aside \$1,000 or \$100,000 as the amount which its export appropriation shall be, endeavors to reverse every normal business principle, whereas, the firm that formulates plans for the development of a profitable export business, can then wisely modify these to meet financial limitations.

DETERMINING THE EXPORTABILITY OF A PRODUCT

The two most common classes interested in export sales are, non-exporting manufacturers and exporters without world-wide

distribution. The first export appropriation should be to cover the cost of determining the exportability of the product manufactured. For the greatest net profit during the first year it should involve common sense and postage.

Tests in English-speaking Markets.—A sound platform for the first appropriation is postage plus dealer samples to cover an English-speaking foreign market. In a stroke, this eliminates the translation question. It enables the use of an existing assortment of advertising matter, including signs and dealer literature.

India, for example, normally offers many good points on account of low duties and broad tastes, while from mistakes in Bombay, Calcutta and Madras the manufacturer can learn what to avoid in Melbourne, Bermuda and Shanghai—for the traits of the English colonial dependency vary only in shades, not in fundamentals.

Division of Planning and Performance.—The moment indications show that a line is right in meeting existing demand, the serious part of the export appropriation must be considered. In exporting, the mechanical part can be entrusted to a capable clerk, and the executive part handled by an interested executive, until prospective sales volume makes it economy to assign all matters of real importance to a created export department head.

A clerk of the requisite capacity can be found in almost every business. The position may well solve the question of the employee who for the good of the business as well as himself needs a chance to show his calibre in high-grade routine.

The first item of export sales expense is his salary, which should not exceed that of a Class A clerk; but he deserves advancement in salary and position in proportion to the growth of the export business and his part in it. As it will take a full year to test the profitableness of exporting after the exportability of a line has been established, this, like all items on your second export appropriation, should be figured on an annual basis.

Sources of Service and Information.—The next item of the initial export appropriation covers sources of export information. From the moment a manufacturer decides to consider exporting seriously, he naturally also ceases to desire to rely solely on gratuitous information on every point. He requires the services of organizations equipped to supply promptly all data he desires.

Certain chambers of commerce are able to supply credit data, lists of prospective customers, duties, and the thousand and one

essentials to serious exporting. But even in such a felicitous situation the manufacturer will not err in identifying himself from the start with the two leading service organizations specializing on export matters, whether his headquarters are in Portland, Maine, or Portland, Oregon.

The Export Man's Equipment.—The third appropriation item is a minor one, but, strangely, the most neglected. The best atlases and gazetteers are cheap sales weapons and time-savers; the few books and guides to good exporting are actual necessities and they eliminate many errors; the government publications on market conditions and credit are business-builders; while the one volume on customs tariffs is constantly needed for reference purposes. The export library should be as complete as the limited field offers. One hundred dollars will not only cover the publications mentioned, but include a good text book on business sales letters and a few small dictionaries in foreign languages for emergencies.

FIRST STEPS IN EXPORT SELLING

With the export clerk, service and literature covered, the next decision must be the policy to adopt towards methods of securing business. Except under unusual conditions the first year's export appropriation should not include the service of an export salesman, either of the combination or exclusive variety.

The first duty in seeking foreign trade is to find a market which will yield a profit and show dividends as soon as possible, so that the export department may become self-supporting at an early age. Then follows the search for other good markets and a general division of markets for intensive and educational efforts.

Export advertising has its part in the first year's merchandising dependent on the nature of the product and the merchandising policy which has been selected. Advertising is effective as a business-creator and it is also an important business aid until the new exporter has ability to follow up inquiries. It is of first importance only when executive time devoted to export is of necessity too limited to ensure securing the full value of export institutional service—which is a latent value and not a spontaneous aid. Manifestly the export journal must secure results for its clients or lose its advertising. It is, therefore, obviously a

substitute for export institutional service where proper supervision and stimulation cannot come from the inside as well as a selling force.

The first year's export work should include a careful consideration of the various media, their fields and their sales service. Sooner or later, and usually early in the second year, export advertising should appear in the investment column.

The Use of the Mails.—The real item of expense in the first year to be given every attention relates to mail solicitation. Not only does this involve postage, but translations both of letters and literature. Fortunately, in most lines an export catalog, even in a foreign language, need not involve as great an expense as the domestic catalog. There is decided advantage in concentrating on the best selling staples and novelties, including only enough to indicate the range of the line while featuring the probable best sellers and profit-makers.

Envelope enclosures built to be an integral part of a series of sales letters and to drive home the note of appeal each letter carries, are among the best dividend makers in export sales effort via the mail route. The added expense of the best type of illustrations, whether they involve color work or half-tone, is often the economical, for it must be borne in mind that a live salesman and a simple catalog cost more than a postage stamp and a natural color and smaller price list.

Sampling.—If the manufacturer is fortunate in marketing a line permitting the use of mailable samples and has an atom of faith that inspection and test will show their value, the sample appropriation should be elastic. Samples are tangible. The submission of samples as the best sales argument may result in orders where the most persuasive or most forceful letter will fall flat.

With such a product as automobiles or machinery, which automatically bar sampling, a manufacturer is more than justified in the most effective presentation of his product by photograph and drawing. A liberal allowance for these is a legitimate item in figuring probable cost of doing foreign business.

Miscellaneous Expense Items.—Incidentals include entertainment of visiting foreign buyers and attendance at selected export trade conferences in order to make the personal acquaintance of experienced export men. These are the most profitable items of any appropriation. A single agent added from such a

contact will pay dividends for decades. The slight expense of Spanish, French, Portuguese and other direction slips not included in sales literature, are further creditors. All in all, these items will total (according to good fortune and necessities) \$1,000, if full advantage is taken of every opportunity to invest for profit, or only a very few hundred if there is necessity for reducing export expense to the minimum.

A TYPICAL FIRST YEAR'S APPROPRIATION

To reduce the matter to definite figures:

First year's export appropriation of	
THE JOHN JONES MANUFACTURING CO.	
1 Export Clerk at \$25 per week.....	\$1,300
Export Service (membership).....	150
Export Service, extra translations.....	150
Export Service, extra credit reports.....	50
Export Library.....	100
Export Literature and Price List.....	500
5,000 letters at 12¢. each (Cost includes Stenographer, Postage and Stationery).....	600
1,200 Samples at 7¢. each.....	84
Incidentals.....	1,000
	\$3,934

This "John Jones Manufacturing Co." appropriation is trimmed down to racing weight, particularly on credit reports. It includes only a sufficient amount to cover fifty credit reports over combined membership service, which in any ordinary line would cover at least an export sales volume of \$50,000. If the first year's sales exceed \$50,000 in the average branded product, the least worry will be the cost of crediting orders

Analyzing the Correspondence Items.—If there is faith in an export future there should be at least \$250 additional letter writing expense in developing more intensively the territory to be covered by the first export salesman. This will be returned in his increased ability to sell goods, due to the acquaintance with his firm's name by the dealers he visits, so that he will not be forced to devote his energies to introducing his brands and their maker. One cause of the seemingly low cost of soliciting such a huge prospective business will be seen to be the apparent failure to include any charge for the services of other department workers.

On second consideration it will be apparent that this expense does not really come into existence until actual business is secured, and during the first year it should be charged not to the export end but to the departments involved, for it is part of the education they should have possessed years before. It will bring enough new viewpoints of value in their domestic work to more than counterbalance the time spent in the first year.

Rapid Sales Result from Increased Investment.—There can be no quarrel with the firm that wants quick results and multiplies the "Jones schedule" by fifty. The tabulation is not designed to show a recipe infallible in amounts or even proportions, but to present to the perplexed but interested non-exporter something tangible to use in his estimates.

Just as the first year's active exporting determines its own appropriation according to the selected plan of action, each succeeding year brings with it the problem of the wisest methods to employ rather than the question of the best ways to spend any arbitrary sum.

ENLARGING OVERSEAS MARKETS

An equally difficult problem is the correct export appropriation for the exporting manufacturer who has only developed a fraction of his possible markets and still finds in the markets in which he has established business opportunity for increased sales.

As a concrete example, the imaginary Eureka Novelty Co. has been established for twenty years and has exported for five years. It has an export trade of \$100,000, largely in the northern Latin American republics; a few scattered agents and agencies in Europe, and is now considering sending its own salesman, carrying only its own lines to the market which seems to offer the greatest possibilities. Mail solicitation, export advertising and commission houses' sales are responsible for its present volume of export trade.

The salary of the export manager need not be discussed in connection with this export appropriation. It is a variable depending on the responsibilities involved, the state of his development and the laws of supply and demand. It will be discussed in another chapter.

The Export Salesman.—The next item of the export appropriation which the Eureka must estimate is the cost of one

salesman's full time for one year and the determination of what expenses his travels will necessitate. It is the opinion of those export men whose experience should weigh most heavily that until territory has been well developed by a series of salesmen's visits no quota, bonus or commission plan should be employed. The export salesman on his first trip through new or partly developed territory should primarily mirror intimately conditions he finds and sell wisely as well as largely. His salary should be that of a domestic salesman of equal ability plus a small per cent to cover the hardship entailed in longer trips, and his vacation, at least a full month out of each twelve. His expenses will range from \$15 a day to \$25 or \$30 while on the ground, which includes only a modest amount of entertainment, a single trunk of samples and hotel accommodations ensuring the comfort to which he is entitled.

Price Lists and Catalogs.—The exporting manufacturer by his fifth year should have catalogs in English, Spanish and French and at least a Portuguese price list of some sort. Whether the export traveller devotes his entire time to English-speaking countries or solely to the Latin nations, the mail and solicitation work should always operate on a far wider scale in order that the firm's name and leading trade-marks are made familiar to buyers in the world's leading markets. In dollars and cents this will pay dividends when the time for intensive work arrives, and in the meantime more than break even on direct business.

There is no economy in paying the lowest price for translation work in catalogs, price lists or circulars. Even of greater importance than correspondence is the correctness of all printed literature, for an error in a typewritten letter may be a forgivable offense, but in the catalog it will be taken as typical of export methods. Reference need only be made to the classic "cushions full of bugs" for "buggy-cushions" in one Western catalog, and the changing of a holiday greeting to a most offensive vulgarity by another "high-school Spanish" translator, in order to point out the perils of "seeking inside the force" in translations. Now and then a rare accident places near at hand the ideal translator, with full knowledge of the intricacies of your line and of the language. But this is in real life as rare as the finding of a diamond in a thistle.

Wise Avoidance of Non-essentials.—The wise investments are not solitary units but ones which add strength to the export



FIG. 3.—American silverware in Ecuador. This significant window trim of Reed & Barton's line illustrates both the limitations and the possibilities of displays in Latin America.

campaign as a whole. These and only these need be considered in an export appropriation. The others are pure speculation. For if a maker has no plans for Tokyo, no facilities for handling and increasing business gained and no plans which it would aid, the entry into any "get-rich-quick" scheme in Japan is "foreign" only because it is foreign to the real interest of the company.

It may come that an experienced export manager is secured in the second year of foreign trading. In the second or third year export advertising will usually be found advisable. Export price lists in several languages or even catalogs of merit may well be a noted addition in the fourth or fifth year. Between the first and sixth year in many lines will be formed the year in and year out use of at least one export salesman.

A TYPICAL SIXTH YEAR'S APPROPRIATION

THE EUREKA NOVELTY CO.

Sixth Year's Export Appropriation

Export Manager.....	\$ 5,000
Export Salesman (Salary).....	4,000
Export Salesman (Expenses).....	6,000
Export Advertising.....	1,500
Export Literature, including all printed matter....	3,000
Samples.....	2,000
Correspondence, including Translations.....	3,250
Export Organization Memberships.....	250
Credit Reports, Lists, etc.....	800
Miscellaneous, including Entertainment, Attendance at Export Conferences, etc.....	1,000
	\$26,800
Expected Sales Volume.....	\$250,000-\$300,000

These figures closely approximate the actual expense of an Ohio exporting manufacturer. But as contrasts, the export sales expense of a Pennsylvania manufacturer is only 6 per cent of his total export sales, while another exporter thinks his 55 per cent only a little high. Both agree that the Eureka appropriation is rather liberal, based on the expected sales volume, and both agree that it is sound for a firm which is adding a real export manager and a year-round export salesman.

The Small Export Appropriation.—"Can profitable export sales be started with a small export appropriation?" is a question frequently asked. It is a matter of record that a

manufacturer of velours was started on his successful quest for export profits by an expenditure of \$25. The following letter and reply is reproduced by courtesy of "The World's Work," and illustrates the possibilities of the small export appropriation:

Can a Start Be Made with Five Hundred Dollars?—"I am the sales manager for a manufacturer of vacuum cleaners, and have for some time been endeavoring to interest my firm in export trade. I have been able to secure an appropriation of \$500, and as this is only a fraction of what I have been told is necessary to make any start, I would appreciate your advising whether I had better let the matter drop until I can secure a larger appropriation or go ahead. If you recommend trying to do something with the small sum which has been set as a limit, what would you suggest?

"We make a complete line of vacuum sweepers, including those operated by hand, water and electric power, and ranging in retail price from \$5 to \$500."

It is interesting to note that the reply is positive and specific and answers the question of the small appropriation in a way to give confidence to manufacturers willing to spend from a few hundred to a few thousand dollars in a first year's export experiment.

How to Divide the Modest Export Budget.—"It is entirely possible to use a \$500 appropriation as a means to secure larger future appropriations by showing how much can be done with a comparatively small sum. There is scarcely a line which will not show some results on a \$500 appropriation if it is destined to be in demand in foreign markets.

"The amount involved is rather small to include membership in the export organizations which you will certainly need later on, and consequently you should secure from the Bureau of Foreign and Domestic Commerce and Pan American Union, both of Washington, D. C., not only lists of prospective trade customers, but also copies of their publications bearing on trade conditions and exporting in general. They will be glad to advise you the names of the few but important books on exporting which will be of value to you and which should certainly be purchased and read before any serious effort is made toward sales solicitation.

The Use of Foreign Freight Forwarders.—"So that costly blunders may be avoided in connection with shipping and in general port of entry and port of departure procedure, we suggest

that it would be economy for you at the start to get in touch with some large firm of forwarders who for a small fee (usually \$3 to \$10 per shipment) will take all details off your hands, and be given instructions in regard to the necessary invoicing, which, of course, must remain as your duty. This expert assistance is cheaply bought until your volume of business reaches such a state that you feel it economy to handle all details yourself. In justice to the forwarders, it may be said that many firms prefer their services regardless of the total export trade they ultimately secure.

“Your appropriation is altogether too small to consider the salaried services of a salesman, whether of the direct exclusive or combination type, and too small to do any substantial amount of work among consumers to force dealers to stock your line. It is also too small to permit effective display advertising in any foreign medium, which form of sales endeavor should accompany and not be the sole merchandising force in the great majority of cases.

“As this eliminates every standard form of merchandising with the exception of correspondence, it becomes clear that our recommendation must be based on an “all by mail” campaign founded on the familiar series idea.

How Letters Bring Sales.—“Supplementing this series of letters, and used independently of it, we suggest you endeavor to excite the dealer’s interest and secure his coöperation by offering to aid in creating consumer demand in case he would give names of a hundred possible buyers in his city. These names will form the basis of another “all by mail” group. This type of sales-promotion work should be adopted only when it is impossible to secure a representative in an important city without doing this in advance of orders, and is more commonly used to induce a dealer to order and coöperate by following up in person a mail attack on the possible customers whose names he sells.

Concentration Possibilities.—“It is useless to try to make a definite rule in regard to whether or not a small appropriation should be scattered like seeds to the four winds of heaven or planted in a forcing frame in a single effort under intensive conditions. The sales manager who calls all cowards who are unwilling “to put it to the touch and win or lose it all,” can hardly be expected to agree with the sales manager who believes in getting every drop of juice out of a small unit and playing safe

every minute of the time. We, therefore, recommend that each use the peculiar capabilities with which he is gifted in seeking to spend wisely his export appropriation, just as he would a domestic appropriation of similar size.

“With \$500 we incline strongly toward the forcing frame method, and this despite the experience of an exporter whose first effort toward foreign sales was the thinnest of spreading of his literature over the greater part of the civilized world, and whose reward was three accounts which alone would total well over four figures.

A “Five-letter” Series.—“Five hundred dollars will cover the entire cost of a five-letter series with attractive enclosures, the cost of following up inquiries which develop and modest two-fold two-color price lists in Spanish and English. Based on a careful selection of 500 possible buyers, and not including cost of credit reports on firms ordering (for these come after the effort and hence are not part of an ‘introductory test’) \$500 furnishes the means to determine, not whether the line is exportable, but whether it can be sold profitably by mail endeavor alone.

“A dismal failure from the dollar and cent standpoint of such an ‘all by mail’ effort may show clearly that with the additional expense of a salesman to close business interested by correspondence the line can be made to pay most pleasing dividends. A maker of power boats expended \$2,000 on mail work without securing a single direct order, but developed ‘leads’ which when followed up by a personal representative has led to a series of agencies whose average yearly purchases is far in excess of domestic agents.

Probable Profit from Permanent Relations.—“It cannot be emphasized too strongly that a line which runs into money rapidly, such as vacuum cleaners ranging from \$5 to \$500 for each item, is seldom sold without an exchange of correspondence beyond the series and the first reply. It is mighty poor business arithmetic to treat an inquiry as though it represented only \$1 (based on 500 firms solicited for a total cost of \$500), for the inquiry must be assumed to be of the importance of the probable profit arising from a permanent business relation with the inquirer.

“As a result of a ‘thousand prospect’ circularization in 1902 one Chicago firm secured thirty trial orders amounting to less than a thousand dollars. One of these from Cape Town is now on an agency basis and carrying a stock worth \$30,000, and

yielding a yearly profit of \$10,000. The history of that case is worth brief analysis. The line was toilet goods and light fixtures and it required two years to land the first order, for the South African firm was prepared to go into the game heavily or not at all. The initial order was comparatively small and the sales helps which went with it more than represented the profit margin. The second order was over \$2,750, while the third order was a stock order based on a ten-year contract which, in exchange for exclusive territorial rights, guaranteed purchases increasing with each year of the contract.

Definite Recommendations.—"To sum up the possibilities of \$500 experimental export appropriation for vacuum cleaners.

1. Employ it in mail efforts
2. Build up a letter series
3. Treat each inquiry received according to its potentialities.

Even if on its indications the result is so unfavorable as to preclude further efforts it is not a business loss, for every business must expect to spend money to learn where not to spend more!

"It is pleasing to add that the appropriation was increased to \$1,000, and that the satisfactory results from this investment have led to the establishment of a definite policy of exporting. Domestic demand, which hampered normal handling of exports, was responsible for limiting overseas sales. Several excellent agents have been secured and sales quickly proved a profitable market within easy reach."

There are many enterprises of such great financial resources that when they make their decision to export, their first thought is to build volume in the shortest possible period of time. No sane manufacturer expects to secure world-wide distribution in a year. Even those to whom time is more important than the size of initial investment have been forced to rest content with partial distribution, in spite of their determination to participate in export profits on the widest scale in a twelve-month.

The Unlimited Appropriation.—Take the case of a middle-western jewelry house, backed by unlimited capital, as regards the nature of their product. Through their domestic affiliations they literally borrowed the export manager of an eastern manufacturer in a similar line, paid him \$3,000 a month for the six months in which he organized their export department, expended under his direction over a quarter of a million dollars in the first year, and yet could only claim adequate representation and sales

volume in six countries as a result. At the end of three years, world wide representation was far from fact. However, the handsome profits on the sales which had been made had more than covered the initial investment.

The personnel of the separate export department may be a single man or a multitude of executives and clerks. Many enterprises which are unfamiliar with the possibilities of the "built-in" export department hold a single man responsible for all export activities of sales, shipping, credits, collections and records, and responsible for instructions and supervision of the details of invoicing and packing. Other enterprises go to the other extreme and actually have more export executives (though seldom on the same salary level) than are used in their domestic activities. The growth of export sales in many industries since 1900 has overwhelmed manufacturers dependent on the separate export department and has led to radically wrong enlargements—enlargements easily avoidable had the original export planning been sound.

Organizing the Inside Force.—There are two leading types of the separate export department. The first is based upon division by duties; the second is based largely upon divisions by territories. The separate export department of a large California manufacturer is an excellent example of the division by duties. Its personnel includes:

- Executive Control—The President.
- The Export Manager
- Assistant Export Manager
- Export Advertising Manager
- Sales Promotion Manager
- Sales Correspondents (4)
- Pricing Clerks (2)
- Record Clerks (2)
- Entry Clerks (2)
- Bill Clerks (4)
- Stenographers (12)
- Foreign Credit and Collection Manager
- Credit and Collection Clerks (2)
- Export Traffic Manager
- Assistant Export Traffic Manager
- Export Traffic Clerks (2)
- Export Shipping Head
- Export Packers (6)
- Export Chemist
- Chemist's Assistant

Territorial Responsibilities.—In Illinois there is an excellent example of the separate export department based upon the theory of territorial division. Its personnel includes:

Executive Control—First Vice-President.
 The Export Manager
 Export Sales Manager
 Assistant Export Sales Manager—Latin America
 Assistant Export Sales Manager—Europe, except British Isles and Near East
 Assistant Export Sales Manager—Near East
 Assistant Export Sales Manager—Balance of Africa; Hawaii
 Assistant Export Sales Manager—Far East, except China and Japan
 Assistant Export Sales Manager—China and Japan
 Assistant Export Manager—Canada, Newfoundland and Alaska
 Export Credit Manager
 Export Collection Manager
 Export Advertising Manager
 Export Traffic Manager
 Export Office Manager

In this enterprise all orders, billing, stenographers and records are in charge of the export office manager who has a staff of twenty clerks. The traffic manager, with his staff of twenty-eight, handles export packing, insurance and forwarding. The export credit manager has charge of both credits and finance. The export advertising manager and the export sales manager have joint duties in export sales promotion work.

Organizing the Separate Export Department.—It is obvious that these two examples illustrate the personnel of large manufacturing exporters. The needs of exporters whose sales run into hundreds of thousands of dollars rather than into many millions are naturally less. A typical separate export department for a manufacturer whose sales are less than half a million on branded merchandise will show a distinct leaning toward the "built-in" idea.

Export Manager
 Assistant Export Manager
 Clerks (4)
 Stenographers (2)

In such an organization it will be found that credits are either passed upon by the export manager or by the domestic credit man—a condition that applies also to collections, advertising and forwarding.

CHAPTER V

THE EXPORT DEPARTMENT

"The highly specialized attention today given by American manufacturers to their export departments is the most compelling evidence of the permanence of America's export trade."

—B. B. Jackson.

The Importance of the Export Department. Division by Nature of Sales. By Territories. By Types of Activities. Analysis of Export Department of the Miller Rubber Company. Formula for the Organization of the Small Export Department. European Export Departments. System of Advancement in Europe and the United States Contrasted. Examples of the Workings of the Conference Export Department.

Each year brings a growing recognition among American manufacturers of the organization side of exporting. The Export Department each year becomes more truly a department and less an individual. It is now common practice for the Export Department to interest itself in other phases of merchandising beyond the boundary of sales. Regardless of the type of export department which a manufacturer may select, there is the constant contact of advertising, credits, collections, records, packing, manufacturing and shipping which inevitably lead the Export Department into broad fields.

How Export Departments Are Divided.—With the expansion of the Export Department so that it becomes a matter of more than an export sales manager and his clerks, three lines of organization are opened. One line continues along the broad road of sales with divisional managers in charge of sales activities in certain territories. A second expansion lays stress upon division by products rather than division by territory. The third and most important recent development lies in an expansion of types of activities.

THE MILLER RUBBER COMPANY METHOD

An excellent example of the growth of an export department along lines of territorial divisions is supplied by the Miller Rubber Co. Its headquarters at Akron place its export manager

at the head of its export department, aided by an assistant export manager and three divisional managers. One of these divisional managers is in charge of all Latin America, the West Indies, Spain, Portugal and the Philippine Islands. Another is in charge of all Europe except Spain and Portugal, Africa north of the Equator, Asia Minor, Mesopotamia, Syria and Persia. The third is in charge of China, Japan, India, Straits Settlements, Federated Malay States, Australia, New Zealand, Dutch East Indies, British East Indies, Ceylon, Siam, Tasmania, Hawaiian Islands, Southern Pacific Islands, and Africa south of the Equator.

In addition to these purely sales divisions the Export Department also maintains a Research Department which is in charge of sales records, statistics, clippings and analysis, and the Order-Shipping Department, to which is delegated the preparation of all export orders so that they can be correctly and conveniently handled by the major departments of the parent business, such as the Order Department, the Billing Department, the Traffic Department. This department is also charged with the forwarding of all shipping documents. Attached to the staff of the Sales Department is a special cable clerk and a force at the New York office which cares for export shipments from Atlantic ports, inquiries from export commission houses and the entertainment of visiting foreign buyers while in New York.

Departmental Contacts.—Through the Export Department, contacts have been established with the domestic Order, Traffic, Shipping, Billing, Credit, Bookkeeping and File Departments. In the advertising department there is a separate division called the Overseas Advertising Department.

Technically, the Miller Rubber Co. at this stage of its organization exemplifies a combination of the separate Export Department with territorial division heads and specialists, coupled with the "built-in" export departmental idea.

Division by Products.—In enterprises which manufacture a wide range of products, particularly when these products are technical or semi-technical in nature, the modern tendency is distinctly towards division by products rather than division by territories. In such an organization will be found an executive bearing the title Manager Export Department at the head. His immediate staff will include an export sales manager, with associates or assistants to whom report divisional export sales managers, to whom are entrusted the selling throughout the world of

the products of their divisions. In the larger organizations of this type will be found also a staff which will include Order and Entry Clerks, Statistical and Tabulating Clerks, and a separate division for Sales Correspondents. Again, in noting modern tendencies, stress should be placed on the Correspondence Department, which is a unit in itself capable, under direction and supervision, of handling all outgoing sales correspondence, regardless of divisional departments or languages employed.

Methods of the Separate Department.—In this separate type of department the export manager, through his assistants and associate managers, maintains contacts with the major divisions of the parent organization. In such an organization the manager of the Export Department prepares the budget and apportions to each division under his control a share of the annual appropriation, and alone decides upon the character and volume of export advertising and sales promotion work. It is through him and his associates that the divisional managers are linked up with the business as a whole. It is improbable that the immediate future will bring with it a trend towards the wholly separate Export Department which, apart from manufacturing, functions as an entity separate from the parent company. Indeed, it is improbable that separate export sales companies will receive in the future the serious consideration of any but the most gigantic corporations. The separate export department is based upon the conception that exporting differs so radically from domestic merchandising that it must be handled solely by export experts. The true separate export department is in charge of its own credits, collections, advertising and shipping, as well as the various minor activities inherent in its work.

Inter-departmental Divisions.—The separate export department bases its justification on the potential or actual export sales volume and its inferred or actual need of the full time of high-brain-powered executives in every sphere of merchandising. It is a thing apart from its parent company except possibly in its location, and its one point of contact—its manager—with the management of the parent business. In one of the outstanding examples of this type of organization the titles of the executive staff include manager, export manager, export sales manager, export credit manager, export advertising manager, export collection head, export traffic manager, export files head, chief export correspondent, export billing head and export records

head. Each department within the Export Department has its own clerical and stenographic force. Each department reports directly to the manager in charge of the Export Department.

Responsibilities in the Small Export Department.—One of the most compelling demands of today is a formula for the organization of the small Export Department. One of the best examples of the successful small department is based on an export manager, assistant export manager and the export clerical staff. In this organization the export manager is responsible for the initiative in export selling; discipline of the department and the coördination of its activities with the business as a whole. The assistant export manager is in charge of the execution of export policies, export technique, supervision of export correspondence and clerical work. The clerical staff consists of a combined order and entry clerk, two export sales correspondents and a statistical and general clerk. The success of this type of department obviously depends upon the calibre of the export manager and his immediate associates. In the scores of examples which parallel the success of this particular organization the profits from export selling can be clearly credited to the sales ability of the export manager and the accuracy and intelligence of the execution of the export manager's sales ideas by the balance of his force.

The One-executive Department.—In even smaller units the Export Department will be found to consist of an export manager, with a staff of from one to a dozen clerks. In organizations of this type the export manager is responsible not only for the initiative in export selling, but also for the direct supervision of the execution of his sales ideas. He is also responsible for the education of his clerical staff to the importance of their work and to the assumption of duties beyond those of the average clerk. While it seems absurd to dignify such a type of organization as an Export Department, there are, nevertheless, examples with individual export sales totals running over the million-dollar mark in branded lines of merchandising which require sales' skill rather than price inducement, and which demand development of sales in many countries.

Some of the leading export executives of today have reached their present prominence while remaining in charge of export departments in which they are the only executive. They have been able to attain, through their ability to educate others; while

they personally built up, on a remarkably firm foundation, staggering sales totals at a minimum of sales expense. While in European countries export departments are usually developed along the lines of specialization, the inherent weakness of this system was early discovered in this country.

American and European Methods Contrasted.—Twenty years ago our export departments were modelled along European lines, with the result that there was little broad development within the Export Department. The cable clerk remained a cable clerk; the statistical and analysis clerk remained a statistical and analysis clerk. Experience proved that a system which did not provide for promotion in nature of duties as well as in compensation, failed to attract and hold the most desirable type of employees. As a direct consequence, American development in export departments has produced a system which permits of the rapid development of the individual without wastage of brain power, and the attracting to export departments of men of a calibre far superior to the type which could be attracted to the "one job in a lifetime" system.

By this marked difference in systems the United States today is developing potential export managers of unusual balance and sense of proportion. The mere technician is so rare as to be almost extinct in direct exporting. The modern export manager who has risen from the ranks brings to his position not only a knowledge of invoicing or of shipping, but the well-rounded knowledge which enables him to develop an organization.

The Committee or Conference Export Department.—Almost unheralded, there has come into being in the United States a form of control of export executives which is unknown in any other country. Indeed, it is still unknown to many of the most careful students of exporting in this country. For lack of an established designation, it can be called, without fear of contradiction, a conference export department. While this type of department is in many ways closely akin to the "built-in" export department, which is described elsewhere in this volume, fundamentally it is decidedly different. It will be noted that usually the export executives radiate from the export manager and the member of the management whose duties include the control of export sales. In the conference export department an uncommon plan of government obtains, so that there is not the connecting link

between the export sales manager and the parent enterprise in the form of a management member in control of export executives.

The conference export department places the officials of the company under all normal circumstances on a par with the export manager, the sales manager, the advertising manager, the credit manager, the collection manager, records chief, traffic manager, production manager and factory superintendent. The conference export department is based squarely upon the belief that there is nothing so mysterious about exporting that it should be left as a thing apart in the conduct of a managing enterprise. This form of organization came into being during the War, when the acute export problems demanded conference between the heads of the various departments of several of our most progressive manufacturing corporations. During these conferences it was found almost invariably that export problems had radii reaching into every department of the enterprise. It was found also that the broad business knowledge of each department head contributed materially to the building up of the most successful type of export service, and that even the export sales campaign gained in strength through the coöperation at the conference table of representatives of each major division of manufacturing and selling.

Possibilities of Conference Control.—The conference export department functions exactly as the common type of government. The export problems of any department become the problems of the conference export department. This by no means should be taken to indicate that the export manager, the sales manager and the advertising manager require this form of control for their triangular conferences, or that the export manager and the credit manager meet only in the conference board. The conference export department thrives through these more frequent and smaller conferences, just as the built-in export department gains its full strength through frequent small conferences.

The greatest proof of the worth of the conference export department lies in the wonderfully balanced action on problems which involve the business as a whole, and each department to a greater or less degree. While this type of management of export endeavor is still far too young to lay down positive rules governing the frequency of the meetings of the entire conference board, it is entirely probable that the point of efficiency lies

somewhere between weekly board conferences and monthly board conferences.

The limited experience available for analysis points to the possibility of these conferences being held bi-weekly and, where other general conferences do not conflict, these Board Conferences should be held during business hours and in the middle of the week. It has been found that the chairman of the conference board should be either the general sales manager, if in direct charge of export selling, or the manager of the export department, in case there is a clear defining line between foreign and domestic sales departments. This places in the chair the executive whose interest in and knowledge of export problems is most far-reaching, and whose contact with other department heads is necessarily the most frequent and intimate. The difficulty of securing prompt action where responsibility rests with a conference committee is recognized as the greatest draw back of this type of export organization.

The Future of the Conference Method.—It is pointed out with truth that the conference export department is still largely an unproved development of the "built-in" export department, and that its seeming difference in control of export executives is largely a matter of charting rather than an essential difference. With increased experimentation in control through a conference board, it is entirely probable that the conference export department may become an adjunct to the well-organized built-in export department, and it is entirely probable that in certain industries the built-in export department will yield to the newer form and the conference export department will be the ultimate type.

CHAPTER VI

THE LOCATION OF THE EXPORT DEPARTMENT

"The one right place for the export manager to make his headquarters is the place in which he will make the greatest profit for his enterprise!"—Edmunds Woodbridge Sanger.

Importance of Correct Location of Export Department now Accepted. List of Advantages of Seaboard Location. Admitted Advantages of Export Headquarters at Factory. Examples of Profit Arising from Seaboard Location. Use of Seaboard Location in Abnormal Times. Personal Advantages of Export Manager Located at Factory.

The importance of the correct location of the export manager has been recognized for decades. It will aid in making the decision to study the relative advantages and disadvantages of seaboard and factory locations. It will be noted that the nature of the product and the policy of export distribution enter largely into this problem. The solution of the problem of the correct location of the export manager is a matter of decided moment and worthy of careful study by the management of the actual or prospective manufacturing exporter.

The Factor of Growth of Export Sales.—Each year almost as many export managers return from seaboard cities to make their headquarters at their factories as there are export managers who leave their factory offices to make their headquarters at the seaboard. Strangely enough, the reason most commonly given is identical in both cases—the growth of the export business of the enterprise involved.

This question has been raised at many export conferences. It should be decided by facts—not by surmises.

ADVANTAGES OF SEABOARD LOCATION

First of all should be listed the advantages of location at seaboard. These include possibilities of:

1. Closer contact with export commission houses
2. Sales to visiting buyers
3. Personal contact with leading export managers
4. Close-at-hand sources of export information

5. Better opportunities to secure ocean freight-space
6. Active participation in many export organizations
7. More frequent voluntary suggestions for agents and customers
8. Securing better-trained export assistants and clerks
9. Daily conferences with experienced exporters, on abnormal conditions
10. Greater certainty of "Documents on same steamer as goods"
11. Last-moment correction of errors in shipments
12. Time-saving in correspondence and translations
13. Social entertainment of customers
14. Fullest use of service of export publications and organizations
15. Hearing and questioning the widest range of export authorities.

Additional and Incidental Advantages.—To these fifteen assumed advantages, at least fifteen more could be added. These other minor advantages include: Prompt and fairly common efforts to decode mutilated or unknown code words; success first-hand knowledge of terminals, docks and steamers, as they affect packing; immense technical and non-technical libraries; the acquaintance of visiting commercial attachés and consuls; the better chance of securing export salesmen; and the greater number of printing establishments capable of high-grade work in foreign languages and for foreign markets.

While the great majority of these advantages are inherent in location in the seaboard city merely because it is a seaboard city, it will be noted that all apply with decided emphasis in the case of New York. Certain of these advantages, in fact, are afforded only when export headquarters are located in New York.

ADVANTAGES OF FACTORY LOCATION

Is it possible that the export manager located at inland factory can hope to compete against his brethren located at seaboard, who possess this formidable list of advantages? To answer the question fairly, a list of the advantages possessed by the inland export manager is given.

It must be admitted that these include:

1. Daily conferences with the highest executives of the enterprise
2. Personal and constant participation in the formation of the general policies of the enterprise
3. Decidedly lower overhead cost of the operation of the export department
4. Incentive to think individually
5. Better opportunity to supervise interior and exterior packing of export shipments

6. Daily conferences with advertising, credit, finance and traffic managers and factory superintendent
7. The immediate securing of proper preferences for export production and shipment
8. Wiser coördination of export and domestic selling
9. Greater elasticity of clerical force
10. The correct application of the "built-in" export department plan
11. The correct viewpoint from which to see the enterprise as a whole
12. The certainty of a correct mutual understanding of export instructions, policies and plans
13. The position to present the full export argument to executives *at the most favorable moment*
14. The correct business entertainment of visiting customers
15. The protection of personal interest:
 - (a) By being on the spot
 - (b) By the close friendship of associates, maintained by daily presence.

Further Elements of Strength.—To these fifteen angles of advantage should be added the better facilities for working out special export products and their containers; the first-hand opportunities for noting tendencies before they have become facts; the abolition of the dangers of "out of sight, out of mind;" the hourly assistance of associates familiar with every tradition of the enterprise; the possibility of advancement through assumption of domestic or combined export and domestic responsibility; the lower cost of enjoyable living and the better chance to convert into the export department domestic clerks and salesmen.

Franklin's Method of Cancellation.—When Benjamin Franklin was confronted by a problem not susceptible of solution at a glance, he made it a rule to list all the relative advantages, cross off the slate any which exactly balanced; and then, weighing the worth of each advantage and disadvantage, continue his process of elimination until the answer was clear. But such a method has its limitations. In the problem of the correct location for the export manager, there are few—if, indeed, any—exact equivalents which automatically cancel each other.

Take, for example, Item 13, under the advantages of location at seaboard: "Social entertainment of customers," and Item 14, under the advantages of location at factory: "The correct business entertainment of visiting customers." Between these two seemingly identical items there is a world of difference. Unquestionably the correct business entertainment at factory is of infinitely greater value. Social entertainment by the export manager at seaboard is usually a one-man affair. Its favorable

effect may be easily erased by the personality and pocket book of the next export manager. Correct business entertainment at factory brings in the president, general manager and other high officials of the enterprise. It gives the visitor an adequate idea of the enterprise—not of the individual. It adds to the sum total of the visitor's knowledge. It is entertainment on a high scale of instruction.

Problems of Comparison.—Similarly, it is impossible to compare the advantage of daily contact with leading export managers with daily contact with domestic associates in the same enterprise. The experience of the export manager may make the first a luxury and the second a need. The lack of experience in exporting may make contact with leading export managers a necessity and, with associates, a luxury. Again, it is all but impossible to determine the correct value of Item 7, of seaboard advantages: "More frequent voluntary suggestions for agents and customers." There was a case where this accidental item alone ran over half-a-million dollars in export sales in *one week*. Yet there are export managers located in New York whose pursuit of volunteered suggestions has ruined their chances for true success. They have forgotten how to originate; how to initiate; how to sell.

Examples of Sea Board Profits.—There is a recorded case where, in a single week, one New York export manager received voluntary suggestions which resulted in sales of over half-a-million dollars. Scores of less spectacular cases can be cited where, over a longer period of time, amounts were decidedly larger. There is certainly no city in the world where "tips" leading to desirable foreign connections are so freely given as is the case in New York City. The alert export manager, through the export organizations, export journals, hotels, steamship companies, foreign freight forwarders and brother export managers, has countless opportunities which do not come unsought and unasked to his inland brother. One export manager who is on a base salary and commission, cleared \$22,000 in November, 1914, on the strength of four tips.

While, under the advantages of seaboard location there is listed the possibility of securing better-trained export assistants and clerks, it is only fair to point out that this is a double-edged sword—for it is also easy to lose the export assistants and clerks one has carefully trained. New York has little sentiment. It

takes what it sees that it wants. It bids high for what it needs. But the fact remains that "ready to use" well-trained export assistants and clerks can be bought overnight at seaboard, whereas the inland export manager must make his own.

When Abnormal Conditions Rule.—Since 1914, abnormal conditions have been the normal condition. The inexperienced export manager located inland, and thus robbed of the opportunity of daily contact with any great number of experienced exporters, has had hard sledding. No text book contains even crude hints on the handling of the unusual. It must be listed as a positive advantage of seaboard location that the unusual, the abnormal, the last-moment correction of error can in no other way be met adequately. So, too, the one bond for "documents on same vessel as goods" in many cases is the personal presence of the export manager located at seaboard.

From time to time export managers emerge from a directors' meeting with a new rank and title. There are on record at least forty such recent cases where the export manager was located at factory headquarters. This is overwhelmingly large in comparison with the advancements of export managers located at seaboard. The export manager who daily identifies himself with the enterprise with which he is connected, by personal and constant participation in the formation of the general policies of his house, sooner or later must achieve much that is impossible or all but impossible to the export manager located at seaboard.

Promotions Due to Factory Location.—One nationally-known export manager was made vice-president of his company several years ago, because he was close enough to know that production was the important factor of the enterprise. By being on the spot every day he was able to evolve a system which led to the entire reorganization of the enterprise, and with it a new title and a handsome stock interest. Another export manager later became sales, advertising and export manager, and today is president of a company whose paid-in capital runs into the millions. Still another export manager, by studying the needs of his company and its competition, brought about the consolidation of five concerns and now is the director of sales, merchandise director and operating vice-president, with a salary that is high in the five figures.

The Overhead Item.—Not one export manager in ten located at seaboard can tell the extra overhead cost of seaboard location.

In fact, only two in nearly three hundred made any attempt to give exact figures when the matter was under discussion. Only increased export sales over earlier years have permitted this tremendously important factor of overhead to remain unnoted in so many cases.

Coördinated Selling at Home and Abroad.—Another vital problem faces the management official whose enterprise sells abroad as well as at home. It is certain that there is real need of wise coördination between export and domestic selling. When conflicts occur—and they occur daily in these United States—it is usually the export end that suffers. This is particularly true when the export manager is not located at factory. A recent instance is typical of what many industries have experienced. In the vast majority of American factories export orders, even for “stock items,” are none too welcome in normal times. When domestic demand is large this condition is intensified. Take as an illustration an order which contains items which fall under the Indian Merchandise Act, or the Weights and Measures Act of New South Wales.

These require special labels and special labelling. Hence they are “specials” and taboo. A little thing, the outsider would say; just the words, “Made in U. S. A.” or “4-oz. net weight.” But it is just such little things that throw production plans askew, that interfere with the highest unit output, that are the last straw on the back of the factory foremen. So, too, with orders for “tin-lined cases,” “monsoon packing,” “invoices in Portuguese,” “Venezuela Classification,” and the host of other peculiarly export demands.

When Absence from Factory Breeds Difficulties.—In this case from the experience of a New England manufacturer, the billing clerks, urged to produce the greatest possible number of invoices daily, protested to the billing head. She passed along the protest to the office manager. The traffic manager, badly behind on tonnage because of storms and local embargoes, grew to hate the sight of an export order with its time-taking crating, strapping, casing and waterproof linings. The superintendent, who had been ordered to standardize everywhere to get a higher production, noted here and there orders for different styles, containers, labels and interior assembling. From every department, protests came to the general manager.

Every general manager is paid to make decisions. In the

absence of the export manager (who when at seaboard is more like a travelling salesman sending in orders and writing in letters, making only occasional visits to the factory) is it any wonder that this general manager usually decided against prompt handling of export orders which required special treatment in any department?

The Value of Personal Presence.—When the export manager is at factory he can devise ways and means to meet all obligations which unfairly restrict exports. On the special labelling he can select items most needed and have them labelled at the end of regular runs. On the tin-lined cases he can find an outside carpenter and outside plumber. For the invoicing, he can point out that, dollar for dollar, profit for profit, it takes less time even when invoices are in foreign languages, because the average export order is so much larger than the average domestic order; or he can send the invoices out to be typed at some school of languages or other translation bureau.

The export strapping, crating and marking can be handled by well-supervised high school boys hired for the task and taught at the same time something of export methods. All of these makeshifts have tided over actual cases of need—when the export manager was located at factory and was in a position to supervise, invent and meet in person every objection and problem with a manifestly common sense solution.

Is a Compromise Advisable?—The entire situation calls for what on the surface appear to be compromises. It would be costly to have two export managers, one located at seaboard and one located at factory, entirely apart from the unwise division of responsibility. The plan has been tried—usually unsuccessfully. The weight of the evidence is that only certain peculiar conditions demand the presence of the export manager at seaboard, and that the presence of so many export managers at seaboard is due largely to the fact that the disadvantages have been discounted, just as the advantages have been too obviously present.

If it is assumed, and it is fair to assume, that there are advantages inherent in each type of location, and if we are convinced of the folly of employing two export managers to only one export manager's position, we have at least taken the first step toward a logical solution of the problem.

Export Requirements at Sea Board.—From this foundation it is admitted that there may frequently be need of some individual

or individuals resident at seaboard, without admitting that this individual or these individuals need be export managers. It is safe to go a step further and admit the possibility of the necessity that *at times* some one of these individuals must be the export manager.

Many of the advantages of seaboard location—advantages obtainable only through the personal presence of the export manager at seaboard—do not demand the continuous presence of the export manager at seaboard. It is true that the inland export manager who stays inland can never hope to have the wide acquaintance of worthwhile export executives possible to the export manager located at an export center. It is, however, entirely possible for an export manager to locate himself at seaboard for two or three years, and in that period to make lasting friendships and lasting contacts. It is possible in the same period for the export manager to familiarize himself so thoroughly with the advantages the seaboard location offers that he need only keep in touch with changing conditions by a series of visits to seaboard, plus the continuous personal presence of an assistant who has worked shoulder to shoulder with him and who knows what matters are of interest to the export manager.

A Definite Plan.—With these basic strands a complete fabric can be woven. The export manager can spend several years at his factory, learn the policies of his company, establish a friendly basis with his personnel, observe and study his products. He can build within his organization the desire for a constantly increasing volume of foreign trade regardless of domestic demand, and acquaint every department with the true needs of export trade.

By this time he may realize a weakness in the smoothness of the distribution of his products abroad. He can easily locate the weakness at seaboard. It does not require a wonderful imagination to see the export manager act upon his decision to correct this weakness by training an assistant at the factory to carry on plans formulated by the export manager. The export manager at this stage must go to the seaboard location. As the months roll by he will build his organization to function so as to eliminate the weakness in distribution. He will make new friends among his fellow-craftsmen. He will locate sources of information and service, and learn by personal contact of their relative values.

Representation by Proxy at Seaboard.—The stage will soon arrive when the seaboard organization will no longer demand the continuous personal presence of the export manager. His continued presence is often due to desire to retain his environment, rather than due to the necessity of constant personal supervision.

The final stage is the return of the export manager to factory. But the export manager will never again bury himself in the inland factory. Inevitably he will decide upon a policy which will include frequent visits to seaboard to maintain his valuable acquaintance, to improve upon the work of his seaboard organization and to keep him in touch with the channels through which prospective buyers can be located quickly on arrival from foreign markets.

No One Rule Possible.—There is no one rule for the proper location of the export manager. From the lips and pens not only of export executives but also boards of directors, there is ample evidence that the presumption is that the export manager should be located at factory, unless evidence of compelling nature can be produced to prove the contrary. From these same sources of balanced opinion now comes the additional thought that no inland export manager should be permitted to remain unfamiliar with what seaboard location has to offer, and that no inland export manager should receive this information at second hand.

There is strong testimony in favor of the thorough education of the export manager at seaboard and his return to factory for permanent headquarters. It is not to be gainsaid that this is a generalization rather than a hard-and-fast rule. No amount of theory can offset the advantage of seaboard location where sales are made largely through export commission houses or where the factor of the visiting buyer is predominant. In both of these groups there is ample theory, ample testimony and ample proof that the export manager should forego the advantages of inland location.

CHAPTER VII

THE "BUILT-IN" EXPORT DEPARTMENT

"The 'built-in' export department is designed to bring into the export work the best brains of an enterprise in the best way."

—Export Trade.

Coördination of Departmental Effort the Backbone of the 'Built-in' Export Department. Team Play within an Enterprise Capitalized. The 'Built-in' Export Department as an Integral Part of a Business. A Trip Through Such a 'Department.' Examples of Departmental Practice and Procedure. Conferences Under the 'Built-in' Idea. Ten Years' Experience of The Carter's Ink Company.

The "Built-in" Export Department is the proper coördination of the different departments of a business so that behind export endeavors will be the mighty thrust of the powerful domestic machine. This means that the real task is to interweave export needs into the existing fabric of a business, to add, if any executive, only one—an export manager, just as a business has its credit, traffic and other managers. There is seldom a valid reason for export activities becoming a separate entity apart from the business which existed before its coming. It is wise to refuse to accept any dicta that an enterprise must suffer from the double overhead of separate export sub-departments in order to handle credits, shipments, collections, advertising and production.

Fundamental Similarities.—In ninety-five out of one hundred businesses export effort should go hand in hand with domestic endeavor. The machines which fashion unexcelled products for the Boston consumer will feel no reticence in doing likewise for the user in Borneo. The human machines which record expenditures of the Traffic, Credit, Advertising and Manufacturing departments can perform the same function for the export end. The entry and billing departments to whom no intricate domestic billing form brings terror, though covered with spaces for affidavits and requiring sextuplicate copies, can handle the most complicated export order with equal nonchalance.

Every business man knows the value of the force which drives his sales onward and upward. Call this force "momentum,"

"good-will," "team play" or "business experience;" under whatever name, it is the force which makes a "going business" a far greater asset than mere piles of brick and stocks of merchandise.

The Value of Established Momentum.—This momentum of the successful business is the power which alone can make export trade a profit-maker. The huge export selling companies of Big Business are the only exceptions. These can profitably operate independently from the domestic organizations. With their foreign markets yielding hundreds of millions each year, naturally the export end of Big Business is so huge that it can create its own separate power and develop its own momentum.

It is easy to define a "built-in" export department as one which is an integral part of a business, not an attachment or an excrescence. By virtue of its being just as much a part of a business as the domestic sales department, it secures the benefit of the experience of one expert and the support of every employee from office boy to president. In such a normal atmosphere, freed from the mysterious fogs in which many have sought to envelop foreign trade, it thrives in exact proportion to the making and selling skill of the company itself.

Growth in Acceptance and Scope.—It is now the standard of companies far larger than, ten years ago, it was the feeling should be operated under the "built-in" export department plan. Its fundamentals are sound. Its principles are correct. Its use, therefore, is not a matter of opinion, but of condition. Where it should be used it has no equal. Where it should not be used it is at least probably not a markedly inferior form of organization to any other.

The "built-in" export department can be described as that form of organization which uses the full force of the domestic organization in exporting. It is designed to capitalize not only the momentum of the existing organization, but also to bring into export work the best brains of the enterprise in the most effective way. It is, in practice, a means of decreasing sales expense and increasing efficiency.

Organizing the "Built-in" Department.—The whole plan calls for an executive or executives above the export manager; the export manager with or without domestic as well as foreign sales interests, and an adequate division of responsibilities among the heads of the advertising, credit, office, collection, production, traffic, accounting and manufacturing departments.

It has been called the "president to office boy" system. It demands the whole-hearted coöperation and constructive labors of each department head involved, and it requires, for its satisfactory operation without modification, a well-balanced group of domestic department executives.

An imaginary trip through a plant wherein a model "built-in" export department has been installed will illustrate unusual possibilities. First of all, a moment's visit is made to the desk of the advertising manager. The question is asked, "What is your part in the export work?"

The Advertising Manager's Part.—His reply comes quickly. "First of all, I investigate in the usual common sense way the media which are recommended by the export man. Just as I check up publishers' claims here at home, I check up the quantity and quality of export circulation. I make sure that the publication reaches the countries in which we operate or desire to operate. I seek and secure proof that in these countries the export journal is read and appreciated by the types of merchants who will buy our lines.

"The export man tells me the products he wishes to feature, explains the nature of the competition we must meet and the particular trade or consumer outlets with which demand is to be created. It may be that we have an advantage in service to dealers rather than a superiority of products. We may well be more anxious to secure agents than to secure immediate orders. We may need the solid foundation of an educational campaign. My work is to make the printed word—our advertising—in magazines, newspapers, outdoor and indoor signs, catalogs or dealer literature a clean-cut piece of sales and good-will building."

In a recent article in *System* a case was cited where an export manager insisted on writing all export advertising, with the result that he made a motor car in the \$5,000 to \$16,000 class appear about the equal of a \$1,500 rival. That car is sold and appreciated by its individual owners because of its "atmosphere." The advertising man knew that particular fundamental; the new export man neither knew it nor how to create it.

With the Credit Man.—It need be no humiliation to any export man to admit that, with full data before him, the credit man is the better credit man on a foreign risk as well as on a domestic one. If he seeks consolation for the sad fact, he can think of

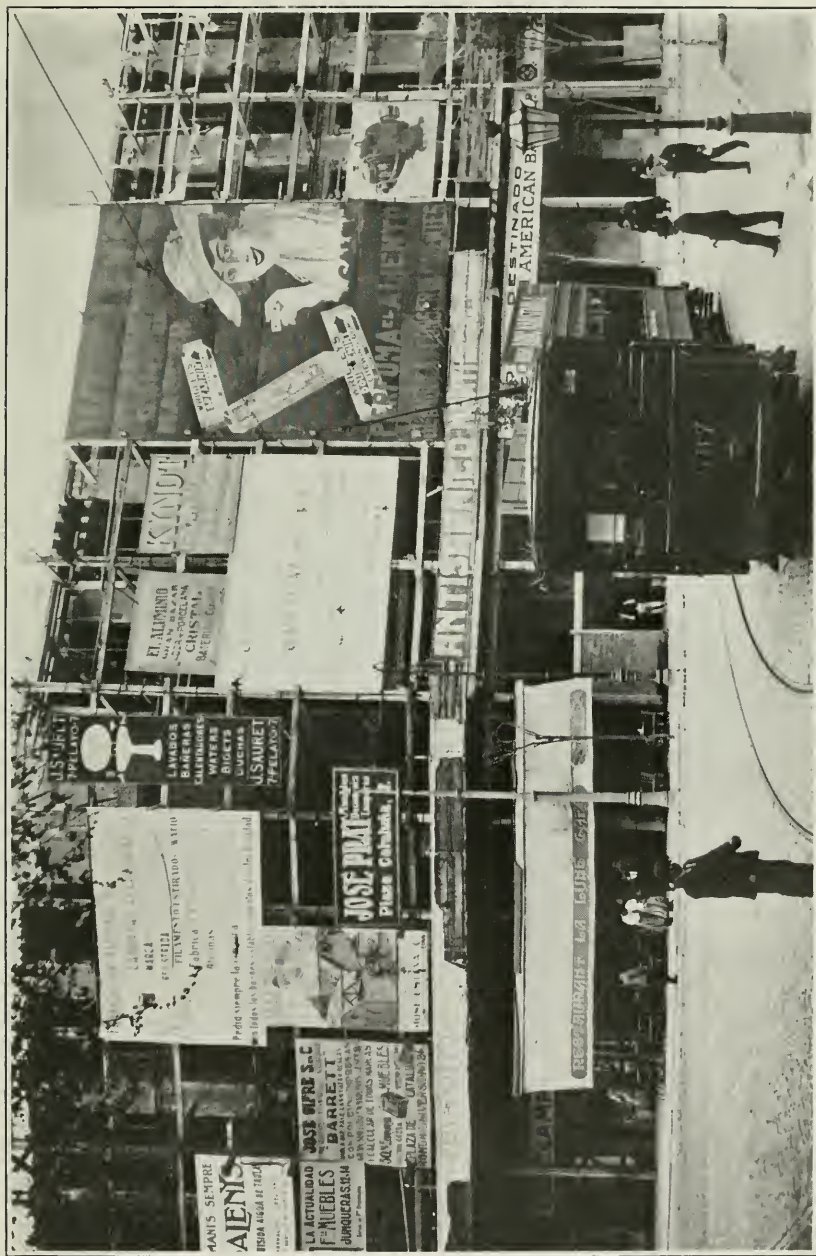


FIG. 4.—Miss Wrigley of Barcelona. Wm. Wrigley, Jr. Company has proved that habits as well as products can be exported.

his own fat pay envelope or neat check and think that, after all, while he cannot divide or multiply on a computing device, the firm still thinks at least as much of him as it does of the clerk who can make the machine do everything except talk.

Without the usual fear and trembling, the visitor approaches the credit man. Even though he has heard that the credit man is often the stumbling-block in starting out in exporting, we have no worries, for this particular "Watch-dog of the Treasury" is passing favorably on foreign credit lists totalling hundreds of thousands of dollars each year.

He puts this question to the credit manager: "Just how do you dovetail into this 'built-in' export work?"

The Credit Man's Function.—"I fit into our plan of handling foreign business as smoothly and closely as a cartridge into a Winchester rifle," he replied. "My part is to keep our export work directed along profitable lines. By the coöperation of the export man we start right by eliminating undesirables *before* solicitation. By coöperation we select the most advantageous times to work hardest in each country, and seldom buck our heads against the stone wall of local adverse financial conditions.

"When the export man gets an inquiry from a foreign merchant we start our credit investigation, so that up-to-date credit reports come in as soon as the order. Orders come to my desk from the export selling end with all information I need to pass on credit from every angle. First of all, the export man attaches to the order credit reports on the foreign merchant. These he secures from export organizations and export journals in which we advertise. These, combined with my credit agency reports and my interchange of foreign credit experience through the National Association of Credit Men, give ample data. Through these lines I know all I need to know of the foreign merchant's character, capability and capital. The export manager also gives me information regarding our need of representation in the city or country from which the order originates. Where we have no trade outlet, I must be more liberal than where we have a dozen good dealers selling our lines. This is an important point too often overlooked.

Further Coöperation between Departments.—"Then, too, there is a slip showing me the profit on the order. Our lines vary widely in profit, particularly in these days of wartime costs. If the order shows a high per cent of profit, I can be more liberal

than on orders where we cannot lose two accounts in one hundred and still be ahead of the game.

“Passing on foreign credits, aiding in selecting business-like foreign agents and guiding export sales toward the right markets at the right time make me feel that I am playing an important part in our export trade.”

The credit manager is an expert in piecing together information and determining whether an individual or firm is a good or bad risk. Before he is called upon to pass decision he will have before him data ranging from a detailed statement of liability and assets to comments on his reputation for prompt payment and business ability in his home city. No foreign order should be credited on suspicion and no foreign order refused without consideration of need of representation in the city from which it comes and also the profit margin on the particular order in hand.

In the Production Field.—The factory superintendent has a frank confession. He considers export work an admirable testing ground for the products for manufacture, assembling and packing of which he is responsible. The visitor may remember one or two of his remarks. “The little differences in our lines which we make in some few cases are more than offset by the intimate knowledge we gain of the best practices in manufacture of foreign makers. I can remember well how from one Italian sample we learned the way to protect one of our fragile containers. The clever conception of a Paris perfumery house was so well adapted to our needs that by coming in competition with it in India we learned how to save \$1 a gross on all domestic as well as export sales and, better still, have a more attractive package. Meeting the world in competition is the only real test of any product.”

When Export Packing Is Involved.—Packing is often a stumbling-block for exporters. Yet it would be absurd to think that a capable factory superintendent and a capable traffic manager would be incapable of handling any order *if they knew in advance the conditions to be met*. The export man can secure from sources of export information exactly the difficulties of any journey on which his goods can be sent, and books written by experts on export packing which will show every detail down to the weight and type of nails to be used and where they should be driven.

The same type of message must come from the collection manager and the office manager. All are glad to testify that their

part of the "built-in" export department has been an asset in their domestic work.

First Steps in Organization Work.—It must not be assumed that such a "built-in" model springs into being over night or without careful planning. It is an excellent start to copy the plan of a new but rapidly growing manufacturing exporter in the Middle West, particularly in the first year of foreign sales endeavor. The first Friday evening of each month is reserved by every department head for an export meeting at the office. A nearby caterer supplies a hearty dinner at 6:00 p.m. sharp, in the Board of Directors' Room, which is followed by an hour's discussion of export matters with the export manager as chairman. At the end of the hour all are free to depart. This enables theatre or other evening engagements to be kept regardless of the meeting. It is seldom that the meeting itself breaks up before 9:00 p.m. with a full attendance, because of the growing realization of the value of the mutual interchange of ideas, which is stimulated by the rapid cross-fire of questions and suggestions.

The evening conference plan is one of the best means of securing concerted effort to build export trade in the first and even later years. It is urged that every manufacturing exporter give it at least a trial. It will surprise many executives, who are accustomed to feel that department heads are valuable solely within their respective departments, to learn from such meetings that the factory superintendent or credit man may be a valuable source of export sales and export advertising ideas. The American business man of today, no matter by what means he earns his daily bread, is really a merchandiser.

Personal Initiative Stimulated.—There is nothing automatic about the workings of the "built-in" export department except the handling of routine. It must be emphasized most strongly that its success or its failure invariably depends upon the calibre of the various executives, department heads and their associates.

The handling of the export order on the "built-in" export department plan involves only accurate records, definite written instructions and adequate supervision. In a few years of actual operation it proves that the clerical staff of an enterprise actually fails to recognize any difference between foreign and domestic orders. Each type has its regulations and each clerk comes to know that *all* regulations must be carried out rigidly and exactly.

An Example of Use of Records.—As an example. An order arrives from Bolivia; it reaches the Billing Department with discount, draft terms and instructions, a notation “Bolivian Classifications” and several other abbreviated instructions. Take one item, “Bolivian Classifications” as an example of automatic handling. The head billing clerk turns to her loose-leaf “Foreign Book” and attaches to the order the sheet “Bolivian Classifications,” passing it to a billing clerk who in entering the order types:

“1 gross D-7647 5 oz. Violet Toilet Water” and underneath adds, mechanically, from the sheet attached “Clas. IV. Sec. 4,” which she finds against “Violet Toilet Water.”

The Shipping Clerk’s Instructions.—The shipping clerk finds on the typed order that reaches him “gro. & net wt. lbs. and k.,” which he knows is short long-hand for “gross and net weights in pounds and kilos.” Wherever the usual packing is used he turns to his “Weights and Measurements Book” and copies the figures showing the weight of that particular package in pounds and kilos as recorded. If it is specially packed, he places it on platform scales, notes that it is $114\frac{2}{5}$ lbs., glances at the table of metric equivalents beside the scales or, today, at the double reading on the scales, and enters it as 52.00 kilos, and walks on.

The attitude of the man delegated to export managerial work is well indicated by an excerpt from the reply of a New England export manager to an “export specialist” in the Middle West who claimed that the export manager should be 100 per cent in charge and execution of overseas activities. The New Englander in his reply pointed out that businesses may entail more or less red tape in interdepartmental communications, but if the system is a good one the units are so united that a momentum results, beyond the capacity of any one individual.

So long as the head of the export department is governed only by the “Private Office” and not an overtitled shipping clerk, he obtains all the benefits of the machine, and his possibilities are not limited to his single-handed efforts.

The Costliness of Duplication.—Why not permit the export manager to use the coöperation offered by the tools in front of him, instead of building an entirely new set when the work is, after all, 90 per cent the same? A few additional tools and a few adaptations in other cases enable the export man to get the

full advantage of the powers which surround him for simplification of handling foreign business.

The office boy, the entry, billing, traffic and statistical and advertising departments should divide the work into proper units for handling. Above all, the credit department and the export sales end should be kept separate. If foreign credits are based on credit principles the regular credit department can handle them better than the export manager, in the vast majority of enterprises.

Departmental Responsibilities.—Each department should assume its proper share of the handling of the export order. Everything except the getting of business and the ironing out of the wrinkles in handling is eliminated from the shoulders of the export manager. Such matters as policy, additional salesmen, agency arrangements, new lines, studying competition, domestic and foreign, will amply fill the time left vacant by turning over details to others, and in such a business result in greater efficiency.

It will be found that the export managers operating under "built-in" conditions are willing to admit that many times the heads of the advertising, traffic and statistical departments have helped mightily in bringing in a record export year. In one industry the chemical and mechanical laboratories made many thousand experiments to bring out new lines to meet foreign competition.

THE "BUILT-IN" DEPARTMENT AT WORK

One excellent illustration of this type of coöperation as opposed to the "one-man 100 per cent" idea clearly indicates its wide range of possibilities. An English competitor of an American manufacturer brought out a novel product, but one which failed under rigid service tests. The export manager saw that the product if freed from defects would meet an export need. The general manager approved the idea of endeavoring to perfect the product, and referred it to the laboratories.

Later, the general manager personally supervised the designs for the containers, having been furnished with samples of the competitor's packages; the purchasing department secured samples and tenders on the special attachments; the cost department estimated the costs of the various sizes; the manufacturing

department gave data regarding best methods of put-up and packing; the advertising department handled the labels and circulars; while all the export manager handled was the gathering of data and suggestions on which the completed package was based.

In its completed form there was nothing but the idea which the export manager could claim as his own and his alone. But it was certainly better for the coöperation of many. When completed, it embodied the specific experience of each department interested in its manufacture.

Under the "built-in" export department plan, if the export man writes on the order "sixty day S/D attached to B/L, D/A through Int. Bk. Corp." the collection end knows what is wanted, just as the manufacturing end recognizes "Extra XL64 wrapper, top & sides," and the traffic department "gro., net, legal wts., lbs., & kilos, pkg. list, each product separate packing."

TEN YEARS' EXPERIENCE RECORDED

The following history of the experience with the "built-in" export department of The Carter's Ink Co., Boston, U. S. A., is given not because of the author's connection with it, but because it has been consciously in existence for so many years and under control of such experienced management officials and executives. These years have ironed out the wrinkles that, in newer "built-in" organizations, seem to loom as most serious obstacles. To some, these obstacles seem insurmountable and were accepted as proofs of a vital weakness of the plan as a whole. Yet they are but wrinkles awaiting the iron of ability, not only to be levelled but also to be a perfect part of an unwrinkled surface.

Management Control.—It may be interesting to see the organization that handles the "built-in" department as proofs. The Carter's Ink Co. for over half a century has been operated on a plan of divided domestic and export responsibility. Its president and its general manager collaborated in planning for foreign trade. In addition to the scattered customers which had gravitated naturally to it in the previous forty years, it had branch houses in London, Brussels, Copenhagen, Hanover and Moscow. Further than this, selling activity in the Far East and in Latin-American had been decided upon before the present sales and export manager came with the company.

Out of this increasing activity, together with pressure of other duties on the president and the general manager, grew the need for an export executive. Both, however, are still thoroughly conversant with export policies and achievements. They personally handle various matters in which they have a long-standing interest, and they keep in touch with the fortunes and misfortunes of customers in every quarter of the world. Their letters of congratulation and sympathy, like their entertainment of old and new friends and agents, are proofs positive of their continued interest and actual participation in the "built-in" method of export operation.

The direct supervision and control of both domestic and export sales efforts is exercised by the general manager. His part is constructive as well as critical. He is a strong believer that there are few truly "export" problems and that the great majority of so-called "export" problems are really "business" problems.

His supervision of export sales has been largely in recent years a matter of passing on detailed recommendations, apportionment of stock between foreign and domestic needs and active assistance in the war and post-war problems of exporting. As long as twenty years ago he was thoroughly familiar with export selling and personally initiated and developed the beginnings of the present extensive interests in the Orient.

The Export Executive's Duties.—The initiative in export work falls on the sales and export manager. For one brief year, 1909, or rather a part of it, he had no domestic duties; since then, the call of the domestic field and the opportunity to participate in domestic work has pulled him into divided but allied duties. His export work has been to maintain and increase sales through branch houses; secure, train and coach export salesmen; appoint and develop agents, and to aid and be aided by every man in the organization, directly or indirectly engaged in foreign trade.

The Work of an Assistant.—A trained assistant shares with him the duty of initiative and is in direct control of export orders from their receipt. He works particularly in coöperation with salesmen and agents in the field. He employs a leak-proof system of following an export order from mail clerk to actual shipment from port of departure which is the invention of the former associate export manager, later the Far East representative of the company. The assistant is in direct contact with the

export order at every stage and decides, with very few exceptions on the order of shipment. Like the others, he has domestic as well as foreign duties and is in charge of the Sales Department clerical staff.

Elasticity of Executive Sales Staff.—Two of the associate sales managers are also ambidextrous in ability to handle both domestic and foreign customers and salesmen. In fact, before the present organization, which has enabled them both to devote more time to important phases of domestic selling, they handled—one on Inks and Adhesives and one on Carbon Papers and Typewriter Ribbons—both export and domestic merchandising.

Another associate sales manager devotes his energies to Carbon Papers and Typewriter Ribbons incidentally known as the unofficial “head translator”—based upon his exceptional knowledge of and excellence in written and spoken Spanish. In practice his merchandising skill makes it unwise for him to be permitted to make more than an emergency translation. His work centers largely on goods, prices and coöperation with the export department. He is the direct link between the sales and manufacturing departments as regards carbons and ribbons.

The Advertising Manager's Function.—The advertising manager is the presiding genius of both domestic and export advertising. In addition to writing and designing copy for magazines, newspapers and street cars, he has produced export dealer literature, including bulletins, booklets, circulars and service letters. The cardboard, tuscaloid and metal signs for indoor and outdoor use; the banners, life-size window displays, store fixtures and silent salesmen also lie within his province, as well as the annual New Year's Greetings. The House magazines, The Scribe and El Escritor, are further proofs of the value of the assistance possible through the advertising department. He is an authority and lecturer on export advertising.

An excellent proof of the inherent value of the “built-in” idea is shown in the credit department. The Foreign Finance Manager is also the Credit Manager. By his more than twenty years contact with direct exporting he has been able to guide local and national credit organizations into foreign credit activities. His advocacy led to the establishment of the Foreign Credit Interchange Bureau of the National Association of Credit Men. As Chairman and National Vice Chairman he has led

credit men into improvements in foreign credit technique. As an author and lecturer he has brought about a clearer understanding of the credit function overseas. As Vice President of a most important credit body he is leading manufacturers to foreign sales on a sound credit basis. It is logical that his acquaintance is as large in export as in credit circles. He is one of the executive committee of the Boston Export Round Table, selected for that honor because of his contributions to the cause of sound exporting.

In the Traffic Department.—The traffic manager and associate manager are both export enthusiasts—which was true even when the war era demand so greatly outran production as to cause all but the best-informed and most active traffic men to regret the day their enterprise ever accepted a foreign order.

The traffic manager invented the "First Aid to the Injured Export Shipper" form, and is the author of a comprehensive "Export Instructions Sheet," which is a compact and convenient means of supplying the full details to a forwarder. His associate is directly in charge of the Export Traffic Department.

How the Superintendent Collaborates.—The superintendent has been for twenty years and more, interested in the manufacturing problems inevitable to any exporter with wide distribution. The many special packages which, prior to the government's interest in standardization of containers, were used liberally in the Australian and English markets; the light but strong boxes made in the box making plant, with interior construction of his planning; the factory handling of some of the larger export orders—these are but a few of his export activities which go into even the details of the shaft, ferrule and bristles of a single brush for use in a special export package.

The Laboratories in Exporting.—The ink and adhesive chemist is, by adoption and proclamation, an export man. He, after three solid years of experimentation, invented Cico—the liquid paste. This was an export problem, for mucilage is by no means in every way a desirable adhesive, and solid white paste is decidedly a perishable product in tropical countries. This Cico—the liquid paste—after three years' further trial, was launched in the domestic field and now outsells all other desk adhesives.

So, man by man, the personal proof could be produced of the extent to which the "built-in" export department idea has successfully been carried out in The Carter's Ink Co.

CHAPTER VIII

THE EXPORT MANAGER

"The right sort of man at the export manager's desk has a perspective as wide as the world itself."—T. H. Williamson.

Placing the Responsibility for Export Initiative. Qualifications of the Export Manager. Methods of Development. Transfer of a Domestic Sales Executive to Export Management. Detailed Example of the Training of an Export Manager. What an Export Manager Should Know. Example of Correct Use of Statistics. Broadening Effects of Study of History of International Commercial Exchange.

The first duty of a manufacturer seeking foreign trade is to place the responsibility of export initiative on one man. This man may be the president of the company or any subordinate with whom he would entrust a similar domestic effort.

From Within the Enterprise.—The exceptionally fortunate may find an experienced export manager in the market, but the majority must create their own. This is just as possible and profitable as the development of any department head. The executive ability which can successfully administer, correct and suggest to manufacturing, credit, traffic and sales departments can add the development of an export department with but little expenditure of time or energy. This is sound, because the fundamentals of export sales are identical with those of domestic sales and every question of foreign sales policy is based on common sense principles.

In every business there exists the young employee who has shown intelligence, loyalty and ability and whose advancement seems blocked by existing minor executives. This is ideal material for the future export manager. His first asset beyond his natural qualifications is his knowledge of the line and his familiarity with at least some of the methods and policies of the enterprise. If export growth is anticipated (and unless it is then it is folly to start), it is wise to consider the future before parcelling the sales end of exporting among the inside domestic sales organization, unless in it can be seen the opportunity for its gradual focussing on a selected individual.

Importance of Direct Interest.—Sooner or later the export sales end must work directly with the management of the business. Particularly at the start of such an important addition to a business it is well worth the time and thought of a high executive to ensure the soundness of the first steps.

Because in any sales endeavor it is wise to have one man responsible for initiative, it is a real economy to train one man to specialize in the effort to secure foreign trade. On him should be placed the burden of laying out the plan of action, of selecting the markets to be attacked, of securing the necessary information regarding surface differences of detail.

What kind of man is this so-called "specialist?" There are men and women who deserve this term in such divers products as garters and pianos, paints and patent medicines, carriages and railroads, and nine hundred more whose lines range in retail value from a cent a package to six figures per unit. In this group surely should be the wizard of wizards, if he exists. The plain prosaic fact is that the better the business man, the better the export manager.

Just as the business man who seeing for the first time a violin played thought the right hand all-important, while the musician beside him knew the left hand to be responsible for four-figured salary per recital, the average man is far afield in export matters. Probably a census of non-exporters would rank a knowledge of foreign languages and extended foreign travel as leading qualifications for the export manager, whereas, the best of export managers would rank highly, "Ability to read and write—English."

Accurate Information Available.—There is in this country information carefully recorded, indexed and cross-indexed, not as the result of hasty tourist trips or business visits confined to a certain line of trade, but deliberately gathered and accurately assembled by trained market investigators in governmental and institutional employ. This information, supplemented by the reliable monographs of students of commercial and financial geography, supplies the base on which the export manager's ability can be applied. His ability "to write—English" (the first qualification of the export executive) applies not alone to English-speaking foreign countries, but also to the world. For the man who writes good English can make every shade of meaning known to the export translator. To no other should be given

the important duty of conveying a business message to a customer or prospective customer in another land in another tongue. But the ability "to write—English" has great inside value in export endeavor. Those who have exported have broadened, have known what it means to the beginner and expert alike to secure information by letter from a brother exporter, and almost without exception welcome the opportunity to repay courtesies they have accepted from brethren of the craft. Add to this the value of governmental and institutional advice and data—all awaiting the man who has the "ability to write—English" and we are forced to confess that the "insider's" specification of qualifications is, after all, the right one.

The Value of Exchange of Export Information.—It is, of course, possible that by diligent application to the text books on tennis and constant practice a beginner might become sufficiently accomplished to hold his own with an expert of some foreign country. It is far more probable that if to his largely self-acquired skill he was permitted to view the champions of this country on the courts, if it were made possible for him to discuss with them the fundamentals and intricacies of the game, his chances in competition with foreign rivals would be greatly enhanced.

On just the same basis, it is highly advisable that the man in charge of a manufacturer's export endeavor be given the opportunity to meet face to face his co-workers in bringing to this country orders and profits which for centuries have been Europe's portion. From a superficial viewpoint it would seem that the published reports of export gatherings, the written questions and replies would leave no gap, but the fact remains that no adequate substitute has been found for personal exchange of business ideas. In justice to "the other man" self-education should be carried to its limit lest these personal meetings be a case of "predigested food" easily absorbed and easily forgotten because the information secured finds no secure lodging-places.

Capitalizing Organizations and Recorded Data.—A yearly trip is decidedly worth while to such organizations, institutions and governmental sources of information as the National Association of Manufacturers, Foreign Department, the Philadelphia Commercial Museum, The Pan American Union and the Bureau of Foreign and Domestic Commerce, with the resultant opportunities for conferences with past-masters of one or more phases of foreign trade.

In almost every city of importance there are springing up informal groups of export men who welcome the opportunity to meet anyone with similar business ties in another section of the country. Through the institutions mentioned it is always possible to secure introductions to export managers willing to exchange information and supply wherever possible specific suggestions in regard to desirable agents or customers, as well as hints in connection with inside systems.

While examples of pleasing foreign trade developments, built up by totally differentiating export sales from its domestic twin, are a matter of record, a careful analysis of these successes almost invariably reveals the reason to lie in the ability of a single man to whom the export end has been entrusted. Companies who have been unwilling to give the time and attention of their own staff to other than their domestic problems have literally turned over the possibilities beyond their home boundaries to an outside expert, usually on a salary and commission basis, and without fully realizing the fact they have handled their export business through a selling agency—which they would not consider wise in their domestic selling.

The Experienced Export Manager.—There are two methods which promise more rapid development than the necessarily somewhat slow education of a minor employee which has the drawback of requiring the simultaneous development of export detail and the far broader appreciation of policy basis and merchandising sense. The more obvious of the two is to secure an experienced export manager, paying the necessary price, and initiating him into the mysteries of products and policies, and in return being initiated by him into the essentials of exporting as contrasted with domestic business. The advantages of this method are several. The experienced export manager can save valuable time by his knowledge of merchandising as a whole and consequently can explain to every department involved not only the coöperation that is desirable but the reasons for it and the details of it.

A case can be cited where in less than six months such a man had the inside end of a business (which had never made a sought sale outside this country) so well trained to the proper handling of export orders that it worked automatically. This compares favorably with the case previously mentioned along the same lines which proved the saving of time in borrowing an able export

manager for three months. In that time he developed an inside and outside export plan, hired and trained a corps of foreign salesmen, started half-a-dozen mail campaigns, and as a finishing touch secured his own successor and left him fully acquainted with the plans he had worked out for the first year.

Selection from Sales Executive Staff.—The less obvious method is to withdraw from the domestic end the sales manager or an assistant sales manager. It is far easier to replace such a manager than it is to secure a full-fledged and competent export manager, and to have him learn a new line of products. This method has so many points of strength that it is surprising that it has not been adopted in more cases.

Manifestly, the withdrawal from the purely domestic end of the sales manager or assistant sales manager is not the same as his withdrawal from the business, for he is physically present and free to contribute his best thoughts to the upbuilding of the business as a whole. From his past knowledge of the business and its merchandising in general it is decidedly probable that he will consider in his export endeavors only such sales plans as will meet with executive approval.

Assets of the Domestic Sales Executive.—Presumably because it is not obvious, it is often taken for granted that export experience and export balance can only be acquired by slowly climbing the ladder from invoice clerk to export manager. As a matter of fact, any sales manager or assistant sales manager whose mental processes are free from ruts, *and who is in a position to give his whole-hearted attention to exporting* can master the essentials with remarkable rapidity if he will take full advantage of the opportunities which exist. This means more or less travelling to get in touch with the personal side of successful exporting, and visits to the institutional sources of information to gain their valuable advice and, above all, to learn how the successful have secured and maintain their export sales volumes.

To be more specific, it is obvious that the best training an experienced domestic sales manager can have is personal contact with the men and institutions whose life work it is to foster export sales; consequently the correct way to proceed is to meet the men in charge and learn from them. There can hardly be a better first step than to examine the export magazines, note the advertisers in non-competing lines whose domestic problems are known to be similar and to write each outlining

export plans and seeking suggestions and advice. To a hundred such letters it would be surprising not to receive at least a score of answers which clearly indicated the value of a personal acquaintance with their writers.

Daily Conferences as an Educational Method.—A Western firm solved a number of difficult inside problems by arranging a schedule of appointments so that the newly fledged export man each day had a half-hour conference with some one department head. The most valuable results of this definite schedule came from the flood of new ideas which any new department head insures, which were passed on in such a way that no department essential to export development was neglected.

TRAINING THE EXPORT MANAGER

An excellent example of the care that is given today in the selection and training of export managers is to be found in the experience of the "North American Paint Co."—a name substituted by request for the actual title of the company. Frederick Sanger in *System* describes the method in detail:

Like nearly all large manufacturing businesses in the United States, the North American Paint Co., for a number of years, had enjoyed a certain small volume of unsolicited export orders. These were quality-made sales that could be traced in many instances to the fact that an American-trained engineer or factory expert had the leading voice in purchases made for some foreign business corporation or public-service enterprise. Whether a self-exiled Yankee or a returned native, remembrance of the covering or lasting properties of various North American products was vivid enough to offset the trouble and delay involved in buying the wanted specialty through some import house.

There was the master painter of a Swedish railway system, for instance, a graduate of the "Jim Hill" railroad school, who yielded to his purchasing department on the great majority of paint and varnish matters, but insisted to the point of rebellion upon the North American specialty paint for locomotive stacks, which resisted heat far better than any German offering.

The Growth of Incidental Export Sales.—In Australia, again, one of the prominent hardware dealers of Melbourne had been impressed by the excellence of the North American house paints

first secured to please an American mining engineer, and had carried a fairly well-balanced stock of these for several years. These instances were typical of perhaps a score which indicated very clearly that with the same intelligence applied to foreign fields as that which guided domestic sales, a decidedly worthwhile volume could be built up.

For nearly a decade these export sales had comprised from 1 to 5 per cent of the company's yearly total. From the very start of R. K. Morton's general managership, he had a clearly defined policy towards foreign trade, but wisely had seen the necessity of putting the Company's inside machine in condition to handle a large domestic business before endeavoring to increase its trade beyond the boundaries of the country. In a recent address before an export gathering in Philadelphia, he put forward the viewpoint on export trade which guided the unusual training of the North American's export manager, formerly known as "Office Scout 54."

Service to User the Test.—"Why should it be more wonderful to sell goods in Ecuador than in Montana?" Mr. Morton asked. "Besides the simplest of mechanical barriers to overcome, what is the difference between selling in Vicksburg and Valparaiso? To my mind, the real question is not one of boundaries or language, but the same old problem: Will our product serve the user adequately and will it yield a satisfactory profit to the men who must offer it for retail?"

"Our own policy is a simple one. We conceive the selling of goods as the bringing of what we have to the attention of those who seem logical buyers. We anticipate that some changes will be necessary in a line which must meet local climatic conditions. But it is a part of our business not only to meet requirements, but also to match the competitors' shades and even competitors' prices right here at home. Our investigations in the foreign field make it seem probable that meeting conditions will involve nothing more than using laboratory knowledge already gained.

The Chemists' Reaction.—"Take this recent request for a paint from Manchuria, where the temperature varies from 40° below to 100° above, Fahrenheit. Our head chemist smiled when he was faced with this problem and called it a simple matter, for it, to him, meant simply the solution of a problem where the factors were all known. I do not want to convey the idea that

we have no problems to face. We have our share. In many cases, we know that we must use our best knowledge, test the paints and varnishes under actual service conditions and then modify our original formula to insure definite results. But even this is a routine matter. We do not claim to be 100 per cent correct in domestic work in new lines on the first trial. Our export policy can be summed up in a sentence. Forget everything except courtesy and ability."

Judicial Attitude a Qualification.—Unlike the majority, the export manager, Woodbridge Cooper, was placed in that picked body of "office scouts" being trained for the company's higher executive positions, not for any striking interest in some special activity of the company, nor for any suggestion which paved the way to additional profits. The quality which Mr. Morton detected in Cooper and has since capitalized as a dividend producer, was his ability to see both sides of any question and yet decide for himself the relative merits of any case.

"Because selling goods abroad must be fundamentally the same as selling goods at home is no reason why we should fondly stick to a policy which fails to recognize obvious differences," Mr. Morton said recently. "While it is, of course, valuable in domestic circles to be able to see matters from your customer's standpoint, it is only a question of a few days before you hear from Mr. Customer, in case your views do not coincide with his. Whereas, with a foreign customer, it may be months, and with the passing of time this disagreement stretches the business relation almost beyond the breaking point.

"That is why I put Cooper into training for export trade. A man who instinctively sees both sides of every matter which comes before him, without heat or prejudice, and determines a fair course, is doubly valuable for foreign trade."

THE MAKING OF A RIGHT HAND MAN

Mr. Morton admits that four years before Cooper's first active step in export sales his training was started with that object in view. He firmly believes that all-around training does not necessarily require executive knowledge or ability. He holds strongly that outside training is essential. His junior executives have outside training, both in the sense of "going on the road" and working for some other firm, in order to secure the ability to

view things without blindnesses which are bound to limit the vision of any purely inside worker.

The average man of business will marvel more at what is omitted than at what is included. At no period, for example, was Cooper ever sent beyond the boundaries of the United States. At no time did his studies include more than a bare working knowledge of Spanish and French. This working knowledge, too, was confined to trade terms and was really thorough only on questions involved in hair-breadth decisions on products made by the North American. At no time did his studies include an analysis of the finer points of foreign exchange. At no point did they deal with political conditions in other countries.

Four Years of Preliminary Training.—Instead of these seemingly essential studies, Mr. Morton insisted that Cooper's four years of training follow this plan:

1. The North American Paint Company's policies and the reasons for these
2. The North American Paint Company's products
3. The fundamentals of selling goods
4. The fundamentals of credits
5. The fundamentals of manufacturing
6. The fundamentals of transportation.

In a single paragraph, it is possible to show just how Mr. Morton went about this preliminary training. Supplementing his scout course, Cooper served a term as clerk of the second rank in every department of the North American, for periods averaging three months. He was then "leased" to a credit agency and placed on the outside staff, which secures information about firms reluctant to place on file a statement of their liabilities and assets. This increased his already well-developed power of weighing conflicting evidence and determining where the truth lay. Then followed a second "lease" to an export commission house in New York—the only obvious step in his training—where he learned one important thing: that "red tape," supposedly a monumental barrier to American trade abroad, was a mere matter of taking care of routine.

How to Rob the Unknown.—"When I was in grammar school," Cooper explained, "my older brother seemed a marvel because he could solve an algebraic equation. It seemed like wizardry. I knew that I never could rise to such heights. Of course, when I got into high school, I learned that solving equations with

letters instead of figures simply meant following set rules—rules which long ago had been put down in black and white in unmistakable language.

“When I started with the commission house the strange combinations like ‘consular invoices,’ ‘minimum bills of lading,’ ‘shipping permits,’ ‘parcels receipt,’ ‘pilferage risk,’ ‘particular average,’ ‘custom house drawbacks,’ and even ‘lighterage’ made me feel as though I were in a maze. It was only a few weeks before I found they were easily understandable, were carefully recorded and that it was a question of where to find them, not what to remember. Export red tape is child’s play to any American who can understand the box score of a base-ball game.”

Why Lawyers Often Make Good Exporters.—The next step in the development of Woodbridge Cooper was his affiliation with a law firm. “What makes a successful lawyer?” Mr. Morton urged. “I always associate the legal fraternity with respect for precedent, willingness to dig down to the bottom layer of facts and ability to use minor arguments to greatest advantage. I respect them for the credit they give to the intelligence of the other side, its knowledge of the weapons of use and its ability to use them. Another question: What does the export manager really need? Isn’t it, after all, a brain which combines the characteristics of an alert business man and the successful lawyer? Thus I know that Cooper is head and shoulders over even Pomeroy and King, when it comes to sizing up the equity of any merchandising transaction and determining where the other fellow is going to jump.”

He continued:

Human Nature Study.—“I will admit that he is no slave to precedent, despite his legal training. For example, the knowledge of human nature he picked up with the credit-agency bunch modifies any set rules which his trained instinct tells him are ripe for an exception. Just last month, he handled one case in China along a train of purely legal thought, and everybody was pleased. A week later, a case which seemed to be identical came up in Cuba, but he went far afield from his previous treatment, because he felt that the particular customer would be incensed by a logical presentation of the matter, but would be pleased at some minor concession and feel victorious in the controversy, even in yielding far more than we could claim logically.”

Examples of Good Deduction.—Two examples of Cooper's uncanny divination of another's thoughts well suffice to prove the correctness of his selection as export manager.

A large hardware dealer in Cape Town had sent in a trial order, as Cooper's training was in its last quarter. Later in the year, they placed a substantial order for regularly listed goods and reported entire satisfaction with the initial shipment. Only a month before Cooper's real place with the North American became known, the firm sent in a request for a package to be labelled with its name as well as the North American's. It was in a container entirely different and far more expensive than anything the North American cared to use at home or abroad. It was apparent from the letter that the senior partner was responsible for the idea. It was clear, too, that the package was one of those "brain children" in which the parent was so enraptured that anything except complete acquiescence in the plan would jeopardize the growth of friendly relations with the firm.

Before presenting the proposal to Cooper, Mr. Morton gave the matter a great deal of thought. He had hoped that this account would demonstrate to Cooper the possibilities of export trade, and he was, therefore, particularly anxious that it should be turned over to him at a stage where its growth would be an incentive to persistent effort in every quarter of the world. Mr. Morton's solution was identical with that of Cooper—only Cooper gave his opinion in an hour, most of which was given over to analysis of facts with which Mr. Morton had been conversant before working on the particular problem in hand.

The Letter That Surmounted Obstacles.—With Mr. Morton's permission, the significant passages of the letter which hewed a way through the obstacle are quoted here as an example of applied policy remarkable in a man not yet come to full authority as an executive:

"It really is not more than once or twice a year, despite our thousands of customers, that we receive a letter which gives us so much pleasure as we received from your communication of the 19th of July.

"Somehow it makes me feel as I do after a successful conference with our department heads on some suggested innovation. Surely behind the letter is far more than your most interesting suggestion of a package bearing both our names and a container, which, while it would be expensive, for reasons which our mechanical department instances on the attached report, is most appealing. If you will pardon the frank statement made despite our few months' relationship, it shows an

interest and insight into the merchandising of paints which I thought no one outside of the industry itself possessed.

"Our experience abroad has convinced us that in a staple line (such as ours must be classed as, despite its numerous specialties) the best results come from sales representation by every dealer in a leading city whose business standing in his community is such that he commands a considerable number of clients. As with every rule, however sound it may be in the great majority of instances, exceptions arise in this one.

"In your case, due to the interest in our products and the exceptional knowledge you have shown, we feel justified in voluntarily offering you the sales agency for our products in British South Africa. Knowing that you have connections in every important city, we take the liberty of attaching to this letter a suggested form of agreement for which we ask your careful consideration. This, however, leads to the consideration of your most interesting suggestion from an entirely different angle.

"Were you but one of a number of dealers handling our lines, our inclination would be to give some weight to the elements which militate against mutual satisfaction in the special line you have suggested that we manufacture for you. With the idea of an exclusive agency in mind, however, we would bring to your attention the advantages incident to prompt shipments, and the increased profits coming from giving entire attention to our regular line and specialties.

"On a separate sheet we have noted some forty items from our line which as our agents you will, we think, find it to your advantage to feature. It is our firm belief that your *agency* would naturally preclude a special package such as you suggest.

"You will notice that in the suggested form of agreement we have included a clause which permits us to ask your assistance in connection with new lines, even when we are aiming solely at domestic trade. So that there may be no misunderstanding of this clause, we want you to know that your letter made it seem highly desirable for us to have you an active if distant member of our "Merchandising Board." This in order that we might secure the benefit of your plainly-shown interest and unequalled ability in meeting competition at home as well as abroad.

"You will notice that the suggested form of agreement is sent in duplicate and bears our signature, so that in case you should find yourself in entire agreement with its clauses, you can become our agents without delay by adding your signature and informing us of your approval.

"Yours faithfully,

"R. K. MORTON,

"General Manager."

"The North American Paint Co."

The Perplexing Abandoned Shipment.—The second example again shows the peculiar kink in Cooper's makeup, which enables him to eliminate with one bold stroke what at first glance seems to be the decisive element in an emergency. A month after he had taken over the newly created export department, word came that a shipment invoiced at \$785, made to a manufacturer's representative in Santiago, Chile, with sight draft attached to bills of lading, had been refused because of the bankruptcy of the representative in Santiago, Chile.

The shipment was largely of specialties for which a ready sale might be anticipated in almost any large market but no single item on the order was listed in the Chilean market. The only other Chilean customer of the North American, also in Santiago, had always confined his purchases to a few staple numbers of house paints. Despite offers of samples and sales assistance, this merchant had steadfastly refused to consider expanding his stock.

Mr. Morton called Cooper in immediately and pointed out that, owing to the delay, the storage charges and freight both ways would be in the vicinity of \$300. This, with the cost of re-labeling for the domestic market and possible damage through leakage, might make it advisable to abandon the shipment and charge up the order to profit and loss.

Turning Loss into Profit.—Cooper found his own solution, which met, of course, with Mr. Morton's approval. He eliminated the question of loss by transferring the charge to sales expense. He saw that the salvage of that particular shipment was absolutely minor compared to the possibilities of profits from sales of the complete North American line in Chile; and he perceived in the abandoned shipment a chance for a gift (except freight and duties) to the other Santiago customer. He figured that if the latter accepted the gift, he would be wise enough to investigate the possibilities of marketing North American specialty lines which he had persistently refused to consider. As a result, the Santiago merchant developed a most profitable market with government departments and large public service corporations; his current purchases of specialties are almost three times as great as his orders for the original staple lines.

In many enterprises it is not possible to devote years to the training of an export manager. In many instances success has followed even a "learn as you go" type of development. It is

entirely possible to build on a less broad and firm foundation than that of "The North American Paint Co." But it should always be remembered that the export manager is a high executive. His work requires high-calibre planning. His field of endeavor includes markets totalling hundreds of millions of men, women and children. It is only fair to the possibilities of his work that his training be made worthy of its importance to the enterprise as a whole.

Dangers in Over Specialization.—The export manager should sink his individuality and become a part of the firm whose product he sells. The export expert—the specialist who knows the export game from A to Z (and he knows he knows it) fails of complete achievement even at the pinnae of his success. The export manager, instead of priding himself on being a specialist, should resent such a classification and by self-training broaden to the far more worthy designation—the business man.

The first thing an export manager should know is his product. Not limiting himself to a superficial or merely a highly technical knowledge, he should know what human need his product meets, how well it meets it, and what other makers, whether in Kalamazoo or Paris, are doing to meet that need better. He should know what value his product offers its user; whether, for example, it is a minor part of the user's expense or is a predominant part. He should know what possible substitutes exist, their strength and weakness and the best ways—from first-hand observation—to make clear the disadvantages of these substitutes.

Knowledge of Product.—The greatest of stress should be laid on knowing every detail of products to be sold. There is a growing feeling in some quarters that if a man knows the mechanics of securing foreign sales he can neglect all but general principles. He can, and still procure enough business to surprise the uninitiated, but his goods are half sold and his markets half neglected. The buyers who are the easiest to sell are the easiest to lose, and in the long run the least profitable. The discriminating buyer, the man who will base his decision on the whole sales argument, is the one who stays sold until someone with a better product and better proof earns his attention.

When House Policy Is all Important.—The second thing an export manager should know is the policy of the firm he represents. He must often delve decades back in its history to find the basis for a quantity discount or rules governing credits on

returned goods. He should know why certain lines were added and why certain seemingly logical lines have been omitted. He should know why the packing materials and methods have been adopted and the reasons for any changes. From the policy of enclosing a stamped return envelope with any letter asking the slightest favor up to the financial policy, he should seek always to reason, test his judgment against facts and broaden as he comprehends the wonderful harmony of forces in a business today.

There are a few things which the export manager should know and which no other unit in the business need know. Sources of export information are so obvious as being necessary to the knowledge of any export manager that it is surprising to find so many export managers who are working under the handicap of not knowing half the assets which await them free or at moderate cost.

The export man who has not sifted the export journal field so that he knows the advantages of at least five such publications, knows something of their personnel and field of activity, is hardly in the best position to plan a well-balanced campaign. For export advertising is too powerful a force and one so capable of many uses that the worth of its mediums should be known by every export manager.

The Outstanding Value of Geography.—The export manager should know geography. There is much to be learned from men like J. Russell Smith of Columbia University and Edward Neville Vose, which is not merely of broad interest but which enters *specifically* into such matter-of-fact duties as routing salesmen, planning sampling campaigns and deciding agency territorial limitations.

The improvement in foreign sales methods in the last ten years has been most pleasing to every one vitally interested in our overseas trade. The export manager not only should have known, but has known a great deal about hiring and training salesmen, building up business correspondence, using samples adroitly and knowing when to work a market intensively and when to hit only the high spots. In the last few years, however, many of the newcomers have failed to lay the foundations of an export business along sound sales lines, and to these companies it is strongly recommended that they make sure that their export efforts are based on a thorough knowledge of the best methods of selling goods at home.

Customs Tariffs and Classifications.—The export man, as a specialist—which he must be, of course, in certain phases of his work—should know the fundamental arguments, pro and con, on free trade and protective tariffs. He should know the way that duties work out in practice and by careful study learn to obtain the most favorable classifications for his goods. Inasmuch as what really interests a foreign merchant is the actual cost to put in his stock, he will appreciate the study which results in a lower duty, and it is often possible by change in packing, a full knowledge of obscure clauses and profit by experimentation, to make such reductions possible. Out of the scores of cases which spring to mind, one which made possible a lower duty in a country in the Far East was the declaration of a disinfectant as “liquids—solely of mineral origin.” This was a saving of at least \$600 to one customer on one shipment. In another case the declaration of an office device as “articles for educational purpose” was approved by the officials and permitted to pass in without duty.

Knowledge of Collateral Subjects.—The export manager in this capacity of specialist should know about importing, particularly in its relation to exporting and the relation of both to foreign finance and exchange rates. He should know every form of draft and every method of financing export orders. He should know the original reasons for European long credits and the reasons which, even before the War, led to steps toward their curtailment. He should know the folly of allowing a customer to speculate with money obtained by the sale of goods and the wisdom of credit terms which permit sufficient sales to finance the purchases, but not sufficient time to gamble it away.

Statistics and How to Use Them.—One thing that the export manager need not know in his early efforts to build up a foreign sales volume, but which he will need badly as he covers markets more carefully, is the way to obtain live selling points from statistics. In the beginning these are of interest in pointing out existing markets and directing efforts through logical channels. The statistics for this purpose are simple, showing the amount in dollars imported by various countries and the subdivisions showing the countries from which these products are imported. Later in his career the export manager should know how to analyze and reject and ultimately pick out a few items of the many which will make possible for him to increase his sales within

countries. He may find it necessary to take foreign municipal reports to pieces; to spend hours over the many valuable volumes issued by our Government; to determine the order of sequence in which markets should be attacked.

A joint campaign of a manufacturer of machinery for making artificial ice and a manufacturer of refrigerators was based on the intelligent use of statistics. The municipalities which were selected for the joint selling appeal were those which statistics showed possessed the form of government permitting the erection of municipal plants where the per capita wealth was high enough to warrant rather large expenditures. At least a dozen other kinds of statistics, such as average rain-fall, average temperature and humidity, cost of natural ice and existing sources of supply, sanitary regulations and local mortality tables from diseases which might be remedied or prevented by use of ice, all contributed in the making up of their unusually successful campaign.

It is quite fashionable among the elite in the export world to dismiss statistics with a wave of the hand and the remark, "Show me a prospect and I'll sell him while the other man is sticking his nose into figures." In this connection it is pertinent to point out that such eminent statisticians as O. P. Austin (formerly of the U. S. Government, later with the National City Bank of New York), have shown ways to sales in neglected markets for the very products the elite really sell well in many other parts of the world.

The History of International Barter.—The export manager paints with a broad brush. He must not be a specialist only in certain phases of his work. While it would not detract from the value of a domestic sales manager to know the history of the world's leading trade markets, the reason for their rise and the causes of their decline, these broader aspects of trade come very close to being essential knowledge to the export man.

When Bagdad was a center for caravans headed for Europe and Venice was sending its ships to every country bordering on the Mediterranean, there were real reasons for the commercial supremacy of these cities; but the moment the all-sea route around Cape of Good Hope came into being, they were miles from the greatest possibilities. The alternate rise and fall of Batavia and Singapore teaches a lesson to every export manager and makes possible, for example, a sounder granting of agencies today, just as the effect of the Suez Canal on trade



FIG. 5.—E. & W. collars suit Mexico. A compelling window display in Monterey.



FIG. 6.—Royal Worcester corsets spell good form in Melbourne.

routes and trade markets warranted safe prophecies on the effect of the Panama Canal.

The Past Reflects the Future.—History is said to repeat itself. There is no reason why the export manager should not know the beginnings of international commercial exchange. Even today, sailing ships leave New York loaded with manufactured articles, sail to little-known African coasts and exchange their cargo for native products. The export manager who is unaware of this fact has possibly overlooked the one way to extend his distribution to the numerous small but, nevertheless, worthwhile markets the names of which dot the more complete atlases.

Elemental forces will control a sale of merchandise for centuries to come, just as they have in the centuries of the past. The methods of the pioneers (who knew more good merchandising in their bartering than many of us know today) are just as sound in markets where the same conditions obtained in 1922 as they did in 1790, or as they were when 700 per cent profits on single voyages were not unknown. It is by a study of early history of exporting that the export manager of today learns how to sell his goods in Java, in the Straits Settlements, in Burma, in Ceylon—and not merely scrapes the surface of possible dollar profits.

CHAPTER IX

THE COMBINATION EXPORT MANAGER

"To the American export manager who desires to share the perils and profits inherent in a self-conducted business I commend a critical examination of the possibilities of the combination export manager."—Herbert B. Johnson.

Definition of the Combination Export Manager. Types of Organization Employing Combination Export Managers. Differing Methods of Compensation and Authority. Webb Act Combination Export Managers. True Nature of Relation with Manufacturer. Problems of Organization and Finance. The Three Problems to Be Solved. Examples of Necessary Financing of Combination Organization. Combination Export Manager Must Combine Qualifications Unneeded in Ordinary Export Managership. Obstacles Which Must Be Overcome. Building up a Clientele. Organization Problems.

The combination export manager is such a rare type to many that it is necessary to define him clearly before attempting to analyze his function and the possibilities of his work. For the purpose of this consideration he is included both as the individual who acts as the salaried export manager for others and as the individual who is his own employer and assumes similar duties on the professional basis of fee for service rendered.

Associated and Allied Organizations.—One of the simplest forms of the combination export manager exists in cases where allied companies have the same sales organization. In a number of such cases the common export manager hardly regards himself as a combination export manager, for all about him are dividing their time between the sales work of the allied or consolidated enterprises. Even when two or more entirely separate sets of export records are kept, these export managers often seem hardly cognizant of their true title and, in fact, quite commonly consider themselves as the export manager of the enterprise that hired them and deem the rest of their work a side issue.

Combined Efforts in "One Industry Towns."—If it is remembered always that there are probably less than one hundred combination export managers in the United States, it will not be

surprising to learn that there are less than a score in the next clean-cut and recognized section—export managers whose employers sublet their services to other manufacturers. These combination export managers are usually found in the few “one industry towns” wherein competition is intelligent and coöperative rather than suspicious and destructive. The other cases include the sub-letting of the export manager in a medium-size enterprise to a less experienced and intimate non-competitor. Wherever this type of combination export manager is found, the reason is either economy on the part of the original employer or exceptionally intimate relations between the heads of the interested exporters—or both.

“**Webb Association Managers.**”—A third type of semi-combination export manager has come into being in connection with combinations of competitors under the Webb Act. These are not included in our total or in our consideration because their function is almost identical with the export manager pure and simple who has different grades and prices on a single type of product or group of allied lines.

THE INDEPENDENT COMBINATION EXPORT MANAGER

The fourth type is the combination export manager who sells his own services on a salary basis. This true specimen of the combination manager is of interest both to manufacturers of an exportable product and to export managers in search of wider range of effort and greater compensation. Each year testifies to the increasing interest of manufacturers who need part-time export managerial services, and of the desire for export men of more or less experience to increase their income by serving as export manager to more than one company.

There is a real field for the combination export managers of this type. Hundreds of manufacturers who are today without export sales or who are blundering and floundering in attempts to sell abroad, without knowledge of how to sell abroad, need just this type of service. Scores of export managers are desirous of the greater income possible by serving two or more masters. The explanation of the extremely small number of combination export managers is, therefore, not a matter of supply and demand. What is the true explanation?

Markets for Services.—First of all, the very ones who need the

services of a combination export manager are often entirely ignorant of their need. Countless hundreds of small and large makers of exportable products, particularly in inland states and large cities, have not yet come to the realization of the insurance export sales offer against severe losses in times of domestic depression. Countless hundreds of similarly situated enterprises recognize in some degree the profits and insurance possible through export trade, but have been too busy with domestic orders to give adequate consideration to their own future and its best interests.

Coupled with this ignorance of needs and tremendous demand in domestic fields, is always the handicap of ignorance as to ways and means to secure part of the services of a combination export manager. There are few out-and-out combination export managers. These few now have, apparently, all the clients they feel they can fairly serve. Surely the average manufacturer, particularly the type unfamiliar with export trade, is not to be blamed if he does not know how to make such a suggestion.

Reasons for Scarcity of Managers.—There is a fundamental reason why there are not more combination export managers. This is the truth that many who would gladly accept such a position, if offered, have only the crudest idea of how to bring such a position into being. A second reason is that those who seemingly have a fair idea how to start to become a combination export manager are not in a position to finance themselves for the initial year, in which it is almost certain that expenditure will be greater than income. The third reason is that export managers who have established their reputation—the only ones, by the way, who can hope to make connections quickly—are the ones who, from the standpoint of income, least need to consider combination export managership.

It is really a duty as well as a pleasure to throw the spot-light squarely on the whole problem. If it results in more combination export managers who go into the job with their eyes wide open to the difficulties as well as the financial advantages, it will aid to that extent in increasing our total of intelligent exports. If it once and for all removes the combination export managership idea from the thoughts of those who are now making themselves uneasy in their present jobs, and does this fairly, then it will certainly add to the efficiency of several hundred export managers

who, to be frank, are wasting valuable time without decisive action.

Nature of Occupation.—The combination export manager is in business for himself. Whether his income is derived from salaries or fees, he is in business for himself. It is imperative that this be clearly understood. It means that in addition to his export work for *others* he is in a purely domestic business for *himself*—the selling of his own services to domestic manufacturers. It is imperative that this be realized and that the risks inherent in combination export managership be fully understood.

Burdens Inherent in Combination Work.—The combination export manager must assume the overhead expense of conducting a business. He must assume the cost of office rental, office furniture, office supplies, stenographic and files expenses, taxes, and the large item of incidentals. Directly or indirectly, he actually has, or expects to have, others bear this burden. But before this happy condition is reached he must first do his domestic selling of his services before he can fairly earn a salary or charge a fee for selling other people's product abroad. The combination export manager thus can be clearly seen to have at the very outset three distinct problems:

1. Finances
2. Sale of his services
3. Sale of clients' products abroad

It is amazing to find that the export manager desirous of entering the combination field has all but ignored the two hard parts of his problem—finances and sale of his services. The actual selling of even six products abroad is the easiest part of the combination export manager's job in his first years. The hardest part of his early work is to keep down overhead expenses by making the most of himself and his workers—for it must be remembered that it is financial suicide for the combination export manager not to play many roles in his early years. He must be office manager, employment manager, purchasing agent, salesman, and often credit and collection manager—among as many more types of work.

Small Capital as a Barrier.—This is illustrated by a typical incident. An export manager in Michigan made an appointment with a veteran exporter and came East over a week-end to discuss his problems. He told frankly that his salary as export manager was not adequate to meet his own desires as to living

standards. He told equally frankly that, apart from a \$600 equity in Liberty Bonds and a very small life insurance surrender value, he was without assets. He had no savings account except one in a child's name, and that amounted to less than his floating debt. He knew of no one from whom he could borrow even a comparatively small sum.

With his finances as they were he owed each month's salary as soon as it was due. He could not finance himself a month—an utterly inadequate time—let alone the to-be-expected period. He owed it to himself and to his family to pile up a reserve fund to meet emergencies rather than to risk his Liberty Bonds and his child's savings when the total of both was ridiculously inadequate to give his hopes a chance of realization.

Financial Resources Imperative.—This export manager and many others have been astounded when it has been proved to them that \$10,000 is necessary to insure a fair chance of success, and that \$15,000 to \$20,000 is a far safer sum with which to start. So momentous in their lives is their decision to cut the ropes that tie them to a single employer that it overshadows all else. It is truly rare for export managers to realize, that in addition to selling their own services they will be called upon to sell also the whole idea of the combination export manager and to prove from intangibles that the idea will stand every test.

POSSIBILITIES OF COMBINATION EXPORT MANAGERSHIP TESTED

Let us examine the typical case of John Jones, mythical export manager of the equally mythical Climax Products Co. His salary is \$4,000. He desires an income of \$10,000. He is willing to work hard and to risk some of the years of his business life to increase his income to this \$10,000 mark. With his knowledge of exporting (gained in his three to ten years with his enterprise) he is confident that he can produce profits for others—several others—just as he has produced profits for one company.

The average John Jones with this type of idea in his brain writes a few letters to brother export managers in whose judgment he has confidence, asking for their suggestions. The replies are naturally vague because so little actual knowledge exists. So John Jones drops the idea so far as immediate action is concerned but permits it to remain in his head to the detriment

of his daily work. This bald description exactly fits many cases within first-hand experience. The large number of export managers who bring up the topic in some form year after year, in comparison with the few who actually become combination export managers, merely proves a known fact.

Visualizing the Task.—To return to John Jones: What can he do to become a combination export manager with a net income of \$10,000 yearly? First of all, he must definitely visualize himself as a combination export manager. He must capitalize his vague impressions into clean-cut mental photographs of his own immediate future. John Jones, if he cannot produce an available balance of owned or borrowed capital equivalent to his normal expenditures of the previous year, should not consider combination export managership. Living expenses, while attempting to develop the combination idea, are greater rather than less than when acting for a single enterprise *entirely apart from the office expenses involved*.

In all American exporting history not ten men have succeeded in their home inland cities in netting an income of \$10,000 from combination export managership. Successful combination exports managers, with few exceptions, have attracted to their service manufactures from distant cities. This points to the early and inevitable traveling expenses in securing and holding accounts. Two thousand dollars is a modest allowance to cover this item in the first year. This single and usually overlooked item is large because business beginnings in this type of endeavor are built as much on personal presentation of the idea as upon the basic idea itself.

Steps Following Financing.—It can be assumed that John Jones has available capital equal to his previous year's normal expenses. What is his next step? The answer is simple—to build up a sales campaign for his services. But the carrying out of this answer is most difficult. The average acquaintance of the average export manager is divided into three parts:

1. His immediate business circle
2. His immediate social circle
3. Other export managers

His immediate business circle includes usually executives in other local enterprises who are exporters or who do not manufacture an exportable product. Even when they do make

a suitable product for the purpose of John Jones, they may have any one of a score of reasons which prevent their accepting both John Jones and his combination idea.

The immediate social circle, as distinct from his immediate business circle, averages to prove even less productive of clients. So the final group for analysis is other export managers. The very fact that these men are *export managers* proves that their companies are beyond the combination export manager stage. It is fair to assume, also, that their acquaintance is similar to that of John Jones—and equally negligible to him as a field for clients. Friends may well, and frequently do, lead to single salaried positions. But never have they proved a royal road to the fulfilment of the combination idea.

Selling Services.—John Jones must do with himself what he has done with merchandise—go out into a strange and critical world and sell to strangers. He must do this in a way that will convince strangers of a profit not otherwise obtainable. He must surmount the obstacle of an idea not only new to his prospective customers but also entirely against their hard-held prejudice against the idea of an employee whose services are shared with others. He must meet at once and in each case the questions: “Why should we make a combination arrangement in our exporting any more than we would in our credits, our collections, our advertising or our domestic sales?” and “Why should we have a combination export manager unless we have also a combination domestic sales manager?”

Both of these questions can be fairly answered—both should be anticipated. These seemingly sound queries can be shown to prove rather than disprove the worth of the combination idea in export fields. The export manager who cannot answer these questions in a way which will gain confidence for his proposal decidedly is not qualified for combination export managership.

Prospective Customers.—The list of prospective customers for the combination export manager to build from is the non-exporter of an exportable article and the all too modest exporter of an exportable article. Such a list is easy to compile by the use of trade directories and correspondence. Frequently the very companies easiest to secure as clients are to be found in the newer advertisers in export journals published in the United States or by enlisting the interest of chambers of commerce and other trade organizations. Advertising in magazines reaching

the managements of manufacturing enterprises is effective when intelligently employed.

What of the organization problem? John Jones must cut his coat according to his cloth. But he is a foolish John Jones who writes long-hand letters on plain paper from a manifestly home address. The wise John Jones establishes an office of his own, with one combined stenographer and file clerk. The wise John Jones uses his own name as John Jones, Inc., rather than a fancy company name. The wise John Jones has adequate stationery and printed enclosures. The wise John Jones settles down to selling himself and the combination idea by the exercise of his highest ability to combine in a campaign the spoken word, the written word, the printed word, the sample of his possible service and the testimonial.

Selling the Idea.—The salesman is the most powerful single selling force. John Jones must be prepared to go in person promptly where he can sell himself and his idea. But first he should show entire confidence in his future by the establishment of a business office, with equipment and supplies neither elaborate nor inadequate, but on the sensible scale established by a sensible man.

On John Jones alone and his ability to sell for others while he sells for himself will rest his success or his failure. For the combination export manager must hew to the line in a virgin forest, and thrive or starve according to his own abilities.

CHAPTER X

SECURING AND TRAINING EXPORT SALESMEN

"In the long record of international trade, the salesman enjoys the distinction of being the best selling force, as he was the first."

—Paul R. Mahony.

Definitions of a Salesman. The Salesman as the Most Powerful Selling Force. As the Keystone of the Well-balanced Export Campaign. Cost of Export Travellers. Modern Exporting Demands More Salesmen. Qualifications of the Export Salesman. Sales Ability of First Importance. Needs as a Linguist Often Secondary to Clerical Accuracy. Knowledge an Export Salesman Should Have. Importance of Greatest Care in Selection of Export Salesman. Invariable Courtesy a Requisite. Example of Intensive Training of an Export Salesman.

There is an excellent definition of a salesman that places just emphasis on a most important factor in foreign trade building. It may well start this chapter. It is simply this—"A salesman is the man who has the ability to make the opportunity to present his full argument under favorable circumstances."

This quality differentiates the export salesman as a selling force from the selling forces which include the advertisement, the letter and the sample. The ability to choose a favorable opportunity to present the full argument and the ability to turn an unfavorable into a favorable opportunity are tremendous assets. They account for sales made in person at times when the allure, finesse and logic of other selling forces are powerless.

The Time Element.—Another definition of the salesman is, "The one selling force that can answer unanticipated questions on the spot." This further differentiation of the salesman from the other three selling forces emphasizes a further reason for the serious consideration of every exporter. For export distances are far greater than domestic distances. Time which elapses between sales effort and sales consummation costs profits—and it requires only a few questions to delay the opening of business relations for a full year. This point is particularly worth earnest thought when there is doubt as to the extra worth of the export salesman over even the most skilful use of export sales correspondence.

Though the export salesman may be termed correctly the

most powerful single force in export selling, this should not for a moment be taken to indicate that he is a power beyond the aid of the other selling forces. The exact contrary is the case. The export salesman thrives on coöperation and suffers from neglect. The export salesman is at his best when he forms the keystone of a well-balanced sales campaign. He should be supported by the best of export correspondence, the best of export advertising and the best of export samples or testimonials. The export salesman is not a being apart and free from the rules of export merchandising—he is an integral part of the structure.

The Part of the Salesman.—So the part of the export salesman in export trade is a leading part—in many businesses *the* leading part—but he never should be the one part. There is no field of sales endeavor in which the salesman has won more spectacularly, nor failed more dismally, than in his attacks on foreign markets. While the export salesman is a powerful force, he is also an expensive force—so expensive that he must be an unusual man and an unusual salesman to play a profitable part in the development of the foreign sales of his enterprise.

Today, the export salesman will average in daily expense between \$15 and \$30, entirely apart from entertainment, commercial travellers' license fees, excess baggage and duties on samples. It is not at all uncommon, therefore, for \$25 a day average to be reached, which would not include any elaborate entertainment nor even non-resident club dues. Neither would such a total include any emergencies such as long motor trips because of disabled rail or water transportation.

Based on a \$25 a day average (which should cover the needs of the usual American-branded merchandise and include the salesman's initial equipment of trunks, bags, sample cases and other apparatus, such as a motion picture projector and film), the export salesman represents, entirely apart from salary, \$7,500 based on a three hundred days' trip each year. To this amount, plus his salary, must be added the cost of the sales efforts that are essential in order to make his sales efforts most effective.

Basic Investment.—But these costs should not be disturbing. They represent investment, not expenditure. For the effect of the export salesman's visit is not ended with his departure for another city. There is a long future and a great influence that goes with the visits of a personal representative. This is so true that in many minor markets the export salesman can keep

up a real and vital friendship with his customers, even though visiting them only once in two or three years. There is insurance in the visits of the export salesman. He has eyes. The letter, the advertisement and the sample see only their own part—and that as a selling part. The export salesman on the ground can correct errors; report the inroads of new competition; erase the reasons for the apathy and inertia of dealers; and select and secure agents of real worth in the present as compared to those still living on the one-time international reputation.

The part of the export salesman is limited only by the ability of the salesman. He can be, and often is, the close advisor of his customers. They look to him not only for prices and selling plans for his own products, but seek his advice in selling of other allied and unallied products. Merchants are keen to know the latest and best in store display, in store layout, in price tendencies on all lines. Often the export salesman becomes an indispensable part of the foreign merchant's business through his suggestions for its conduct and expansion.

Why Salesmen Are Sent Abroad.—More and more the experienced exporters are sending salesmen to the lesser as well as the greater markets of the world. Naturally, they pave the way for the salesman by correct use of correspondence, and naturally these lesser but valuable markets are not visited with the same frequency as are the larger markets. The reason for this tendency to cover small markets by salesmen is the comparative ease with which these markets can be all but monopolized. So in city after city where the *average* sales would not justify a salesman's visit if the total purchases were shared with the usual competitors, the *total* sales which are possible for the salesman to secure make these visits pay high dividends. There was a time when a certain island was not visited except by one salesman in twenty who came within 1,000 miles of it. That one salesman secured and has held 90 per cent of its total purchases in his line and for other lines which he has since added.

The part of the export salesman is so full of possibilities, and the expense of personal representation so great, that only with coöperation and careful planning under a good executive should this method of selling be considered. Properly selected, well-trained and adequately supported, the largest dividends in exporting will be found through the direct and personal representation of the export traveller.

QUALIFICATIONS OF THE EXPORT SALESMAN

"Your export salesman must be the living exemplification of all that's good in your business."—Herbert B. Johnson.

It is surprising as well as amusing to read of the qualifications of the export salesman as they have been portrayed by the amateur and the theorist. One recent listing of qualifications included every virtue and every ability that its author could imagine. But it omitted the first and cardinal qualification, for, first of all, the export salesman must be a man who can sell both merchandise and ideas. That qualification is one in whose absence no amount of substitutes can prevail. Export travelers should not be sent out to make profits because they are linguists, observers, diplomats, orators or two-legged encyclopedias full of information on the markets of the world. The export salesman's first qualification is sales ability.

It is not enough for the export salesman merely to sell merchandise. The fundamental difference between American selling methods and those of our European competitors is, that we move the goods from the foreign merchant's shelves while, as a whole and with startlingly few exceptions, the European maker rests content when he has filled instead of emptied the merchant's shelves.

Modern Sales Ability Imperative.—So the export salesman must be able to sell ideas as well as merchandise. He must be able to sell the foreign merchant the idea of coöperation in selling and secure his partnership in selling campaigns that will move the merchant's stocks, increase both demand and turnover and thus increase the profits of both maker and merchant. These methods are the despair of our European competitors because they make low first price a detriment instead of benefit to the merchant. These methods explain, far more than any other claims for superior quality, the reason why foreign merchants can profitably buy American merchandise priced far above the European levels of the pre-war years.

The export salesman should speak the commercial language of the countries he visits—otherwise he has to overcome the artificial obstacle which he has needlessly placed between himself and the sale. He need not, except in cases of most unusual products, speak Chinese in China or Japanese in Japan, for he will find English a commercial language in both these markets,

and where it is not a commercial language he will find the use of an interpreter free from the insult it is in Spanish-speaking countries.

Naturally, in the two Americas he will need only four languages—English, Spanish, Portuguese for Brazil and French for Haiti and French Guiana. Dutch may have an added value in Curacao and Dutch Guiana, as are German and Italian with merchants of these nationalities in Southern Brazil and Argentina in particular. There can be no argument on the score of use of languages. No linguist who is not a salesman should be sent abroad, and no salesman should be sent out who is not equipped to present his full argument in the commercial language of the countries he is to visit.

The Good Clerk.—The export salesman should be a good clerk. This qualification should be known to exist by proof positive. Export errors are costly, export delays are costly and export guesses are costly. The orders which the export salesman mails should be as correct in every detail as an export agency contract. They should leave nothing to the imagination—they should be complete to the crossing of every *t* and to the dotting of every *i*. The use of portable typewriters by export salesmen is highly to be recommended. Many hours of search over past records and many costly cables can be avoided by their use. It will usually be found that better and more complete reports follow the use of the typewriter by export salesmen.

The carbon copies of orders left with merchants are invariably better if made with typewritten impressions, and this applies also to the "follow copies" of orders which the salesman should invariably send by the first steamer sailing after the one carrying the original order. The postage involved is trivial compared to the loss inevitable through the failure of even a single original order to arrive.

The Necessity for Clerical Training.—The export salesman should be trained most carefully as a clerk. If he proves incapable of accurate, readable and complete reports he should never be allowed on the export road, even though he be a good salesman in other respects. This may seem an arbitrary statement, but veteran export managers will endorse it with feeling.

A single example shows clearly the reason why a salesman is not a safe export salesman unless he is a good clerk. One of the most important wholesalers in Valparaiso had been sought for several years by an American manufacturing exporter. To

his delight he received a substantial trial order amounting to several thousand dollars' worth of their most profitable lines, and with it a letter from their salesman urging that it be given preference and attention, since, as he wrote, "If everything goes well with this order he will at once place a *real* order of not less than \$20,000, and from then on will feature our lines and close out his stock of English and French competitive products. Be sure not to slip up on delivery, as this means a lot on this first order."

As the standing of this Valparaiso merchant had been investigated and was ample for several hundred thousand dollars there was no necessity for delay from credit reasons. The terms of sale as entered by the salesman were, "Will pay less 2 per cent cash on arrival of goods." The order was entered promptly; by good fortune shipping space was available, and within two weeks the order went forward with thirty day sight draft, bank instructed to release papers on payment, draft not to be presented until arrival of goods. This, the American manufacturer felt, would prove to the Valparaiso merchant a willingness to go further than a straight sight draft or an "on arrival" draft.

The Cost of Incomplete Notations.—But imagine the exporting manufacturer's surprise and horror when the shipment was refused and with only the comment "Says he never accepts drafts, and so advised your representative." When the order files and the original order were compared it was seen that the salesman in writing "Will pay less 2 per cent on arrival of goods" had merely quoted the merchant without a word of warning. As this manufacturer's terms were invariably "sixty day sight draft attached to documents D/A" or "Sight draft attached to documents less 2 per cent," the costly error was entirely the fault of the salesman.

To satisfy the curious, the account was saved as the result of a \$100 cable in pure Spanish, written in collaboration by a capable export manager and an expert linguist. But that one piece of poor clerical work almost cost an account impossible to duplicate on the west coast of South America.

Knowledge of Export Practice Essential.—The good export salesman must know and understand the fundamentals of export selling. He must know how to coöperate with the credit department. He must be entirely familiar with drafts, including the rarer forms, and he must know how, when and where to use them.

He must be able, for example, to see how Rio, with its customs complications and slow clearances, differs from other cities. He must be able to arrange *on the spot* the best method of handling the unusual situations which Rio offers as an illustration.

The export salesman differs from his domestic brother in many cases because of the difference between domestic and foreign sales policy. An export manufacturer may, for good reasons, have no agent in the United States and yet, for equally good reasons, have agents abroad. Such a condition—and it is by no means uncommon—necessitates that quality in a salesman which makes him capable of aiding in the determination of selling policy for whole political units, weighing the advantages and disadvantages of agency treatment, suggesting agents and territorial and sales limitations, and after agents have been appointed, coöperating with them and with their salesmen in nation-wide sales development.

SUPPORTING THE EXPORT SALESMAN

“Mr. Carnegie got rich because he had working for him men who were in the right place.”—J. Russell Smith.

There is a vast difference between recording the assets of good export salesmen (and pointing out the necessity of these assets) and securing men who possess these assets. It is important to select wisely salesmen who will rightly represent the enterprise that hires them in a small portion of a domestic city. Yet such a man sees but a few customers. He is under the eye of the sales department. His errors, if not quickly corrected, result in dismissal before serious damage has been caused.

Securing the Right Man.—The selection of the export salesman is a matter of graver importance. His cost is greater, his responsibilities decidedly greater and his chance for irreparable damage all but unlimited. A poorly selected export salesman recently cost an American manufacturer \$250,000 in damages and the loss of at least five years' time in the development of five of the most important markets of the world.

In the selection of the export salesman (assuming good character and good health to exist) the first problem to solve is that of the selling ability of the man. If he has a business experience the first question should be, “Can you sell goods?” and the second, “Who says so?” If the applicant has not had

experience in selling merchandise, it is well to watch closely his shown ability to sell his own services. His ability in selling his own services will give at least a suggestion of the impression he will make on those to whom he later desires to sell merchandise. While some men are so modest that they are constitutionally unable to present their own case to advantage, the great majority who have this fault are also constitutionally unable to sell buyers who are content with their existing sources of supply.

The Importance of Reference Investigations.—References should be requested and should be investigated with painstaking care. Every year of the prospective salesman's career, from infancy, should be studied. In the sequence there should be no missing years left without adequate explanation. Particularly should more than the usual formal reference inquiry letters be written. Every effort should be made to discover every fact in the applicant's past business life and in his educational years. The testimony of individuals unknown to the manufacturer should not be accepted without further investigation, and no statements should be on evidence that would not be considered as evidence by the credit department.

In a subsequent chapter devoted to the preparation of the export salesman for the field, the matter of bonding is discussed. But bonding has far more than an insurance value. More and more manufacturing exporters make it a requirement for applicants for positions as export salesmen to fill out bond applications at the very start. This transfers to the impersonal bonding company the task of asking searching questions which would seem sharply personal if asked by the manufacturer.

Emphasis is placed on the need of care with references because of several unfortunate connections which have resulted from lack of the same care with export salesmen that would be taken in the case of domestic employees who were to assume similar positions of responsibility. The one test the few dishonest export travelers cannot defeat is the reference test. And this test must be most thorough or it is no test. The enterprise that accepts a favorable reply to a formal reference letter as evidence is particularly easy to deceive.

Ability to Understand and Remember Instructions.—If satisfied of positive reaction indicating the probability of selling ability in the prospective export salesman, the company's next step is so obvious that it is seldom taken. It is to test the

ability of the applicant to understand, remember and act upon verbal and written instructions. This ability must not be taken for granted. It is, in fact, conspicuously absent from some eminent business men. But the distances that soon come between the export sales executive and the export salesman, and the importance of the tasks of the salesman, make imperative the ability to understand, remember and act upon the instructions which are the result of many and costly years of experience. One good export manager refuses to consider seriously any applicant who fails to pass a 90 per cent memory test.

Courtesy in International Trade.—Courtesy is an all-important quality in an export salesman, whether his territory be South Africa or China. The day of the over-forceful salesman, if it ever truly existed, has passed. Courtesy is easily tested in a prospective salesman by giving him every opportunity to meet others of rank higher and lower than the export executive and watching him closely in his unguarded moments. If he takes the slightest advantage of any employee or if in his unguarded moments he shows that he regards courtesy as a veneer to cover an unworthy base, his name should be crossed from the list. There is one traveler for several American houses who is cordially hated by every clerk in Australia in the houses that carry his lines. He is studiously careful of his tongue and manners when with proprietors, but he treats the very men who sell his goods over the counter and on the road as inferior beings. As a result, his lines are losing ground. Even the buyers who like him are forced to point to the stocks they have on hand and which are not moving from their shelves.

The best account in Mexico was lost to an American manufacturer because its salesman was insulting to a man he thought to be a porter, but who was in reality the silent partner of the large hardware corporation. Orders have been issued that not one dollar's worth of products of this house shall ever be purchased. The incident happened eleven years ago, and the orders are still in force.

Personality.—In analyzing the successful export salesman, there is made prominent the wisdom of selecting salesmen who have highly developed bumps of friendliness—who make friends naturally and hold them for life. It is such an important and desirable asset that in selecting the export salesman it is wise to seek out the half-dozen closest personal friends of the applicant

and, where possible, to interview them personally. Many times in the history of American exporting, accounts have been saved in the face of repeated errors of the exporter because of the importer's friendship for the salesman and his reluctance to change sources of supply and mar that friendship.

In selecting export salesmen it is always wise to use the same type of care that should be used in selecting a business partner.

TRAINING THE EXPORT SALESMAN

"In the old days the foreign traveler was given a catalog and a blessing. Old as I am, I like the new way better."

—John Chapman.

The prospective export salesman should pass a field test here in the United States. If he cannot sell goods at home, it is unfair to assume that he will prosper abroad. Unless the applicant has a long and proved record in foreign fields and an export acquaintance with dealers, this test should never be omitted. It will end quickly the aspirant who has had a two years' course in Spanish and wants to travel in South America on this slim asset. It will save for better fields the over-ambitious export shipping clerk with the awe-inspiring vocabulary of export phrases and terminology. It will make or break the tourist who was so deeply impressed with a winter in Bermuda that he has dedicated his life to foreign trade.

It may prove of interest to follow, step by step, the training of an export salesman who today in his chosen Latin-American field is a success. He has, at the age of twenty, six made five long Latin-American trips. He enjoys the respect and the friendship of the most important dealers in the cities which he visits.

An Example Worth Study.—When he presented in person his request for a position as export salesman, the export executive was only a recent arrival in New York City, and consequently had many matters which demanded his immediate attention. He was attracted to the applicant, but in all fairness was forced to tell him that other work would prevent consideration of the addition of further export salesmen for at least six months. "That will be September first," the applicant replied. "All right, I'll be here then."

The export manager certainly was surprised at this reply. "But what are you going to do in the meantime? Remember, I

didn't offer you a position to start in with us in six months." The salesman—for he has proved his right to the name—explained, "I'll get a place in some export commission house down-town. During the next six months I'll brush up my Spanish and find out more about draft usage."

He did not appear at the export manager's office again until September first. When he appeared (after making an appointment by telephone) the two came to a complete understanding. It was agreed that the applicant was to be given a full and fair chance to become worthy to cover that part of South America bounded by Para on the East Coast and by Guayaquil on the West Coast—which includes Brazil, Uruguay, Paraguay, Argentine, Chile, Peru, Bolivia and Ecuador—and that, as opportunity presented itself, the interior cities of these countries as well as the usual port cities were to be visited.

The Four Tests.—But before this territory was to be assigned, the new salesman was to pass through four stages of development. He was to prove his ability to—

1. Sell goods in the United States
2. Understand the selling and other policies of the company
3. Sell consumers in nearby Latin-America in behalf of the trade
4. Sell goods in a Latin-American country not previously visited by a direct representative of the company.

The first assignment of the new salesman was to collect overdue accounts on the East Side of New York. This selection was made to show in an unmistakable way the costliness of goods poorly sold, to explain by living examples the need for limitation of credit and for soundness in collection method and, above all, to prove to the salesman how poorly the average retailer ranks as a selling force. As the export manager hoped, the salesman proved to be a good collector—even collecting one account that had been given up as hopeless—and his comments indicated clearly that he recognized the true causes behind the slowness of payments.

In the work of the New York City salesmen, Staten Island was assigned to the salesman who covered Brooklyn and several other Long Island cities. The sales manager knew that few orders were secured from Staten Island and to serve a dual purpose, the new export salesman was given Dun, Bradstreet and a directory of Staten Island. He was told to list prospective customers and prepare himself to make his first visits as a sales-

man. He had, of course, by study of catalogs, price lists and samples, and numerous conferences with the export and sales manager, become familiar with products, prices and terms.

A Proving Ground at Home.—In two days the new salesman opened six new accounts on Staten Island, laid the foundation for four more, and proved that the territory had previously been neglected. It is interesting to note that while he made only one other visit to Staten Island, for three years after he was engaged as foreign salesman, the Staten Island dealers, in telephoning orders, would ask for him by name—*although he left no business card when he called.*

Accuracy in clerical work was insisted upon from the start, as well as a thorough knowledge of the products to be sold. This knowledge did not consist merely of careful study of an illustrated catalog. It did not end with a knowledge of the materials used, processes employed and methods of assembling. It included the packing, including export packing, and the reasons for the method of packing. It included the physical handling of each one of several hundred items. It included the analysis of selling arguments, both those adopted for use with the consumer and with the dealer. It included a full knowledge of export advertising material, and the best ways for the foreign merchant to use it.

Study of Markets.—Then came the stage of intensive study of markets to be visited. These studies were made at the Bureau of Foreign and Domestic Commerce and Pan American Union in Washington, and at the Commercial Museum in Philadelphia. The finishing touches were added at the National Association of Manufacturers in New York City. The export journals published in this country were also used in this close study of markets and their peculiarities.

Through the illness of one of this manufacturer's salesmen the opportunity was afforded for the embryo export salesman to call on established trade connections in several states, to perfect himself in the sale of a newly-added specialty and to come in contact with several scores of merchants, learning from them at first-hand of their frank opinion of the company and its policies and practices.

This trip ended the first stage of the salesman's training. He had demonstrated that he could sell goods in the United States in clean-cut fashion. Almost simultaneously the second stage

ended, because in a few short weeks of test he proved to have mastered the company's selling, credit, advertising, adjustment and production policies. He was given the task of making adjustments, of writing letters in reply to criticisms of product and service. He was educated on foreign as well as domestic credit policies and taught so that he understood the reasons behind them. The export manager went back into past history, domestic and foreign, for "company problems"—gave the facts, and asked the salesman how he would have approached the solution of these problems. From the replies and the criticism of the replies it was certain that the salesman understood the aims of the company and had initiative and ability sufficient to make it safe to send him outside the United States.

Consumer Selling.—The third stage of this export salesman's training consisted first of selling consumers in Porto Rico on behalf of Porto Rican merchants who carried stocks of this manufacturer's products. This work—usually termed either "missionary" or "turn-over" selling—brought into play his knowledge of Spanish and gave it a harder test than would have been the case in calling only on the established trade, because many consumers were entirely unfamiliar with some of the products and even not aware of their existence. This work served a double purpose. It stimulated consumer demand for both staples and specialties and it gave the trade a tangible proof of coöperation on the part of the manufacturer.

The salesman was successful in this type of selling and was sent from Porto Rico to Havana, where he worked as junior salesman to the older trade representative who visited Cuba on two long trips each year. In addition to work among consumers, the new salesman called upon the small trade.

The most impressive part of his Cuban work came in the opening of new and large accounts, his excellent reports on investigations that revealed the rather unexpected strength of competition and the manner in which he handled several minor problems without referring these back to the "Home Office." These supplied all but positive proof of the wisdom of giving him the highly important territory which he has since covered. But the salesman who is to be entrusted with great responsibilities should fully prove his right to assume these responsibilities. The export future of any manufacturer is too valuable a potential asset to risk a wrong start with an unseasoned man.

Work in Foreign Fields.—The fourth and last stage followed the salesman's return to the United States and a series of conferences with the export manager that probed into every corner of the salesman's work in Porto Rico and Cuba, and the suggestions which the salesman could make, based on his observation and study.

The export manager selected the interior of Colombia as the stage setting for the final test. In this selection he was guided by these considerations:

1. It was virgin soil where no direct representative of the company had ever visited
2. The accounts already opened by mail were negligible
3. The traveling would include river steamer and mule back
4. The living conditions would be no better than in any country which salesman would later cover
5. The salesman's courage and persistence would be thoroughly tested.

This trip was a success. New accounts of the highest and most desirable type were added in each country, and in Medellin—well off the beaten path—the agent selected was the one the export manager had known to be the ideal to be sought for in case the salesman failed in his task. The clerical accuracy, the judgment used in extending discounts, the reports made to assist the credit department and the coöperation in re-sale which the salesman arranged were free from more than minor flaws.

The test was completed. The salesman had clearly proved his right to handle important territory. His training was complete. He has since justified in his present territory the expectations of the company he serves.

CHAPTER XI

PREPARING THE FIELD FOR THE EXPORT SALESMAN

"A harvest of losses is the natural crop to expect when the field has not been prepared for the salesman's arrival."

—Edmands Bridgeman Sanger.

Fallacy of "Introductory Trip" Exploded. The Export Salesman Should Not Be Permitted to Be an Explorer or Discoverer. System in Preparing Field for Salesman. Methods of Creating Dealer and Consumer Acceptance Portrayed. Use of Mails in Preparing Field for Personal Visit. Use of Advertising in Advance of Salesman's Visits. How the Exporting Manufacturer can Multiply Salesman's Efficiency.

The export salesman should be preceded by most careful preparation of the field he is to cover. If this is done the results will be measurably greater and the salesman will be treated fairly. It is equally a criminal waste of money and of human effort to send an export salesman to an unprepared field.

A Common Misconception.—How many have heard the fallacious statement, "An export salesman's first trip cannot be a selling trip, but must be a 'get acquainted' trip. On his second trip, however, his sales will be very large because of the business friendships he has made on his first trip." The correct statement of exact facts is this: "Only an exceptional export salesman can secure a profitable volume of orders on his first trip to a field which has not been prepared for his coming. With advance preparation, the average export salesman can sell as large orders as the average salesman would on a second trip over unprepared territory."

Is a "Get Acquainted" Trip Necessary?—There are definite reasons why the second statement is sound and why the first is wrong. It is true that a salesman's first trip over unprepared ground in normal times is no more than a "get acquainted" trip—but it is not true that the export salesman's first trip *must* be of this character. The export salesman should not be permitted the luxury of being either an explorer or a discoverer. The markets which he visits should have been prepared for his coming. They should have been made acquainted with the prod-

ucts which he has to offer. They should know the reliability of the maker of the products. They should be convinced of the fairness of the policies of the exporting manufacturer.

The Modern Method.—The export salesman should not be handicapped by carrying the burden of selling more than merchandise and the ideas leading to the re-sale by the merchant of this merchandise. It is a criminal waste of time, energy and money to proceed on the assumption that the salesman's first trip must be largely of a social nature. In recent years the careful students of export selling have, time and time again, proved the falsity of the fallacious statement that for years was allowed to stand unchallenged.

What the Salesman Should Not Do.—There should be system in the preparation of the field for the export salesman. Behind this system should be some reasons for the system. The base of all preparations should be the removal from the salesman of all tasks other than the sale of merchandise and the sale of definite ideas of re-sale of the merchandise. To accomplish this task changes at once the salesman's labors from being herculean to those possible to an ordinary mortal. To effect this change, it is clear that the exporter must himself sell the merchants to be visited—and perhaps even the consumers in the cities on the salesman's route—the idea of the maker's desirability as a source of supply.

HOW TO PREPARE THE FIELD FOR THE SALESMAN

There are many ways in which this can be accomplished. Persistent advertising of the right type, both in the local newspapers of the cities to be visited and in the export journals published in the United States, supplies a means easily applied and effective in results. The average consumer would be inclined to accept the responsibility of the Quaker Oats Co., or the Goodrich Tire & Rubber Co., or the Packard Motor Car Co., even though he had no first-hand acquaintance with their products, because of their persistent and intelligent advertising. Through advertising designed, not to sell merchandise but to sell desirability as a source of supply and to pave the way for the export salesman, the first visit of the salesman can be made of business instead of social character.

The Use of Correspondence.—The value of correspondence in

paving the way for the export salesman is unquestioned. In a series of letters sent to a selected list of prospective customers it is not a difficult task to acquaint these with the history of the exporting manufacturer, his reputation for reliability, his reputation for quality and his ability to handle foreign orders. Indeed, of the many ways of preparing the field for the later trip of the salesman, the best single way is by correspondence. But the best way—as is usually the case in any type of selling—is to combine skilfully the use of every useful method.

A BASIC PLAN FOR ADVANCE WORK

One experienced manufacturing exporter follows a plan which certainly contains so many points of strength and which has so many successes to its credit, that it can be studied with the certainty that in part or in whole it can be adopted or adapted with gains.

Study and Analysis of Territory.—First of all, the general territory to which the salesman is to be sent is carefully studied. The services of export institutions, organizations and journals are enlisted in preparing the salesman's itinerary and in determining the time which should be spent in each city. By this careful examination of the territory it is often found advisable to lay out side trips from the leading cities and to make trips into the little-visited interior towns. These alone, in the case of the manufacturer whose methods are described, have been said to yield sales and profits which more than cover the cost of preparing the entire field for the salesman.

Building the Mailing List.—When the cities and towns have been decided upon, the manufacturer compiles two mailing lists. The first includes the names of all dealers who are in lines that indicate even a strong probability that they might be engaged in the re-sale of products of the same general nature as those of the manufacturer. The second list contains only the names of the biggest and best firms in the territory. In order to be in the right position for effective correspondence, the manufacturer buys credit reports on all names on this second list.

A "Field Preparation" Campaign.—A year before the salesman's visit the manufacturer starts his "field preparation campaign" with a series of bulletin mailing cards. These are handsomely printed showing his leading products in their natural



FIG. 7.—Burroughs bookkeeping machines in Java. A battery of Burroughs in the Postal Saving Bank in Weltevreden.

colors. These are, on their face, an indication of size and experience, since in language, text and layout they are clearly the work of experts. The series is usually of twelve bulletins, mailed at two-week intervals. One of these bulletins features the several factories of the manufacturer, showing the immense number of employees in a striking way. Other cards show window displays of the maker's products in out-of-the-way cities of the world, as well as on the broadest avenues of the largest cities of the world.

Advance Letters That Pave the Way.—Six months before the salesman's trip, the plan calls for carefully-worded letters in two series. The first series goes to the large list (from which, of course, the names of the elect have been removed) and are identical in wording. The second series consists of individual letters based on information contained in the credit reports previously mentioned. While these letters make it possible for the recipients to make purchases—and a strong effort is made to secure at least one customer in each city—the main object of the series is to make any representative of the manufacturer a welcome visitor later on.

Two Methods of Advertising.—During this six-month period export advertising is used in two ways. In export journals the salesman's trip is advertised, showing, by means of outline maps, the salesman's routes and the approximate dates that he will be in each city. Reprints of these advertisements are used for enclosures in the letter series. The second use of export advertising is in the local newspapers in the cities which the traveler is to visit. These advertisements feature the goods and their maker rather than the salesman, but do include a few well-worded lines and a head and shoulders cut of the salesman.

An Effective Advance Card.—The final letter in each series bespeaks a welcome for the salesman. It is timed to arrive on the same mail as the salesman's advance card, which is dignified but not cold, and which shows a naturally posed photographic likeness of the salesman. This final letter and the salesman's advance card are timed to reach the dealer not more than two weeks before the salesman.

PREPARING DEALERS ABROAD FOR THE SALESMAN'S ARRIVAL

Each prospective customer should be told long in advance of the salesman's coming:

1. The responsibility of the exporter
2. His ability to export well
3. His desirability as a source of supply
4. His policy of assisting dealer's sales
5. The worth of the visit of the salesman
6. The quality of the products offered
7. The profit to the buyer
8. The appeal to the consumer.

The Cost of Advance Preparation.—While it would be useless to figure the cost of this preparation for any given market for purpose of illustration here, each exporter can easily make his own cost card. It will be found that this method of preparing the field will cost one-fifth to one-quarter as much as a salesman's trip. It will be found that the salesman will be greeted on his first trip with the cordiality that the average foreign traveler is greeted with on his second trip. His orders will prove the value of the field preparation.

CHAPTER XII

PREPARING THE EXPORT SALESMAN FOR THE FIELD

"Many firms handicap both salesmen and themselves by failing to supply them with indispensable details."—E. B. Filsinger.

Equipment of the Export Traveler. Physical and Dental Examination. Vaccination and Innoculation. Funds. Supplies. Motion Picture Projector. Use of Typewriter. Call Sheets. Preparation of Samples. Routing the Export Salesman. Examples of Good and Bad Routing.

John Chapman, that veteran of the export road, once wrote out of his long experience and out of the fullness of his heart, "The number of export salesmen who succeed in spite of the export department's failure to equip them properly for their journeys, makes me proud of the ability of my fellow-travelers."

THE EDUCATIONAL BACKGROUND

It is entirely clear to the experienced that the export salesman should be one who can sell, rather than one who can speak and write in foreign languages. Nevertheless, good merchandising insists that no artificial obstacle be placed between seller and buyer. Consequently, each export salesman should be able to express himself, not only so that he can be understood in any language which he may be expected to use, but also his use of each language should be accurate, in order that no distraction result from faulty pronunciation or choice of words. He should be able to express his ideas quickly, completely and pleasingly. The export salesman is fully prepared for foreign fields only when he is the master of the languages in commercial use by the best of foreign travelers in the countries which he visits.

Export Routine.—The technique of exporting should be a matter of serious study by the export salesman. He can rightly be expected by his actual and prospective customers to be thoroughly familiar with the details as well as the principles of international commercial exchange. In fact, it is far more often necessary in a well-rounded organization for foreign selling for the export traveler to know more of current details than the

export manager. For the export manager usually has technical assistance and technical assistants. The export traveler must meet single-handed problems which at export headquarters would fall to the export technician rather than to the manager of an export department.

Manufacturing exporters can well take a leaf from governmental practice in connection with the knowledge expected of the foreign traveler. United States commercial attaches and trade commissioners must know fully and accurately the countries which they are to visit. Since the commercial world abroad has long since been discovered and explored, and since recorded knowledge in regard to every market, large and small, today exists in easily accessible form, there is no longer any excuse for the foreign salesman to be sent out on his initial journeyings until he has absorbed this wealth of expert knowledge which is available at a nominal expense.

HOW TO TRAVEL

There is a vast difference between the novice and the veteran of the export road. The veteran knows from experience what hotels to select; how to clear his samples comfortably; when to insist, when to request, when to ask; when and how much to tip, and how to insure his personal comfort at the correct minimum of expense.

It is not to be expected that the novice salesman can have these advantages except as the experience of the export executive and the knowledge of the export executive makes this possible. Fortunately for exporters, both our government and export organizations have prepared a highly creditable fund of information, even on these details of overseas selling. The wonderful spirit of willingness to exchange information which exists among exporting manufacturers, places an obligation upon the export executive towards his salesmen, and leads to placing the novice salesman of today on a far different footing from the novice salesman of a decade ago.

Etiquette of the Road.—The etiquette of the road should be impressed upon each new foreign traveler. This does not merely mean a word of caution against showy and extravagant entertainment of customers and others. It means the observance of the established if unwritten rules which have been wisely

built up over generations of travel. It is not for the export salesman to inquire the name and business connection of a chance acquaintance, even one who has expressed some extreme opinion or who has advanced some most interesting information. The etiquette of the road protects the incognito of each traveler. It permits anyone in a group to express his opinion and to give the reasons behind his opinion, and to be queried as to both. But it insists that no one shall ask another's name or connection. It insists that each man who desires to make his identity known shall have the privilege of announcing himself, at such time and in such manner as best suits him.

There are two contributing causes to the failure to equip export salesmen properly. The first is that the subject has not been openly discussed, and even in print other than in Filsinger's fine monograph it has been all but overlooked. The second, and perhaps the more powerful cause, is that properly to equip the export salesman involves a great deal of work, largely of routine nature and at a time when the export executive has a right to be mentally and bodily tired from his efforts to keep his regular export schedule moving slowly while training a new salesman for the foreign field.

There are certain developments as a result of experiments conducted many years ago, that have proved their value. Two of these have such manifest advantages that they are given here as freely as they have been guarded carefully until their worth was proved by practice in many markets to be all that the surface indications would prophesy.

PROSPECTIVE CUSTOMER SHEETS

The first of these two mechanical steps in preparing the salesman for the field is termed "Prospective Customers Sheets." Their use can be recommended safely because the one favorable experience has been duplicated and triplicated by the experience of the few close friends who have been given the plan in its entirety and who have adopted it throughout territory in which their "direct from head-quarters" salesmen operate.

The fundamental purpose behind the prospective customers sheet is to render a sales service to the salesman. It will be seen to be a convenience and a time-saver, but these economies of the salesman's time and effort are a minor factor compared to the

means they supply the export executive to convey his best sales suggestions at a vital moment. If this phase of its use is neglected, it becomes merely another burden-maker. Viewed in this aspect, the value of the prospective customers sheet depends upon the ability, and ability to use ability, of the export executive.

The prospective customers sheet is a form printed on bond paper to permit pen and ink writing. At the top it bears the salesman's name and the company name for easy identification. The heading includes spaces for the name of the customer or prospective customer, street address, post office box, city, country and date of salesman's report.

Tabulating Information.—On these five-by-eight sheets there is typed (with three carbon copies) in addition to customer's name and address, a summary of all information possessed by the exporter. If the sheet describes an actual customer it shows his purchases in every year, analyzed by products. It shows discounts, special prices and exact terms of sale. In another column it gives the vital facts about the customer as gathered from credit reports, references, letterheads and brother exporters. If there has been a limit set by the credit manager, this is recorded. If there is any special matter to be adjusted—such as damaged stock or goods shipped or ordered in error—the prospective customers sheet serves as an admirable place for a reminder. Overdue accounts are frequently noted for collection.

Selling Instructions.—But the important part follows the noting of these facts on the sheet. After all of this information has been entered by clerks on the sheets, the export executive goes into a solitary conference surrounded by all data available on the territory to be covered by the salesman on the customers and prospective customers in the territory. On the third carbon copy he pens his selling instructions based on his diagnosis of the tasks which he feels most important for the salesman to accomplish.

Because of certain possibilities in production, the export manager may indicate on many sheets (where the line of business of the customer or prospect indicates an opening) the featuring of a product other than the one the salesman would select as a leader. Because of the profit involved on another specialty other customers might be offered special quantity prices because their credit reports had shown capacity to absorb

an unusual amount. These are but indications of the many forms of sales direction made possible by the use of the prospective customers sheet.

Territorial Comments.—After the sales executive has completed his comments and instructions on individual customers and prospective customers he turns to an even more important task. For there are call sheets for each city and for the entire country. These show not only customs tariffs and commercial travelers' license fees, for example, but are used by the export executive to lay out the sales plan of each division, indicating the desirability or undesirability of agency treatment, sampling or local advertising campaigns, or need of a local assistant in visiting consumers in behalf of dealers.

When these comments have been made in pen-and-ink, the remaining three copies (original and two carbons) are returned to the stenographers, who add to these three copies the sales executive's sales directions. One carbon copy is retained by the export manager, one copy is carried by the salesman, while, for greater safety, the remaining copy is mailed, city by city, to be held for the salesman's arrival.

THE SALESMAN'S SAMPLES

The great majority of exporters, both novices and veterans, are correct in the samples which they supply for their salesmen. Pride in product, domestic practice and the obvious preference of any buyer for a sample as against a description or illustration, explains the practically perfect percentage of correctness in this highly important matter. The usual fault—as seen by the salesman and by the watchdog of the treasury—is to give the salesman too many samples on his first trip. This results in excess baggage, extra luggage with attendant first expense and need of attention by the salesman, and, now and then, delays and extra expense in passing through customs.

But unless carried to a ludicrous extreme the fault is only in the eyes of the salesman and those who watch his expense account without knowledge of the relative value of expenditures. Many salesmen who have cut down their samples have later returned to the original or an enlarged assortment. There is a sales value in samples, even in lines that are not sold freely, because the wide variety frees the dealer from a feeling that he has no

choice. It also, as has been proved in many cases, magnifies the maker's importance in the dealer's eyes.

American Practice Excels.—There is usually only commendation in the way American manufacturers pack these samples. It is obvious that, just as a good jewel deserves and repays a good setting, so articles of quality should not be displayed in any but suitable surroundings. The expense of the best sample cases, trays, racks and trunks is one that will bring dividends.

Whenever size or nature of product prevents the use of actual samples or models or miniatures of the original, hand-colored photographs on sheets ten-by-fourteen to eighteen-by-twenty, in a specially-made brief-case type of holder, will be found a decided aid to the salesman. This method of presenting a reproduction of articles offered is especially coveted by agents whose salesmen have many lines to present and to whom actual samples are often a real burden. They are highly applauded by "combination export travelers." They have a real place in the equipment of the salesman abroad.

There can well be wise difference in practice in connection with insurance of salesman's samples and investment in personal effects. The length and nature of the journey; the value of samples and equipment; the rate of insurance charged, and the products involved, all have a bearing. The jewelry salesman must insure his samples, let us say, where the salesman with samples which have no commercial value and without valuable personal effects may wisely decide that insurance is not needed.

Samples of Advertising Material.—The value of the printed word—advertising—in export selling should not be permitted to be taken for granted. It is the duty of the export salesman so to portray the use and value of advertising, including dealer helps, that the customer, actual or prospective, will realize its profitmaking possibilities.

Therefore, the export salesman should carry, if necessary, a separate portfolio, or even some larger container, with actual specimens of all advertising and display material which the export executive feels are of value to customers overseas. While it may not be possible, for example, for the salesman to carry with him, or even have sent in advance of his arrival, some of the largest window displays, it is at least possible for a black and white or colored reproduction of the largest window displays to be a part of his equipment.

The use of photographic reproductions of cabinets, display shelves, counter and aisle display attention-arresters bridges many a gap in the visualization of the assistance these sales helps can render. A salesman's equipment is not complete unless it includes physical means of presenting the advertising, both publicity and material, in convincing form.

Portable Motion Picture Projector.—Because the modern use of the motion picture in export selling is thoroughly described in another chapter, and its many and valuable uses in the hands of the export salesman are there portrayed, it is only necessary here to emphasize that each export executive should carefully consider its possibilities in direct connection with the preparation of each salesman for a foreign field.

PHYSICAL EXAMINATIONS AND HEALTH PRECAUTIONS

The salesman's physical condition is of immense importance. Therefore, even before his training for foreign fields has commenced, a rigid physical examination should be passed. Many manufacturers today have their own physicians or receive frequent visits from the "company doctor." In such cases there is at hand every facility for both physical examination and helpful health suggestions. But the absence of such a fortunate condition is no excuse for the failure to provide for the adequate covering of this important detail. An excellent practice, and one to which a growing number of exporting manufacturers have been won, divides the medical angle into two parts. First, a most rigid physical examination is made by a physician qualified as a life insurance examiner and under the most exacting conditions demanded by any life insurance company. Then the same or another physician, who has been notified in advance of the exact requirements, coaches the man on the precautions which he should take in traveling abroad, and prepares for him a kit built to include such staple medicines as the countries the salesman will visit naturally suggest. These would include arnica, quinine, a laxative, aspirin and, very possibly, some convenient vitamine tablet or capsule.

It is now possible to produce a standard "first aid to the injured" set for travelers' use, and more and more these are being found in the equipment of the salesman.

Dental Work.—In addition to a physical examination, a

dental examination is also highly advisable. More and more the relation of good teeth to good health is being appreciated. There is no question that any dental work should be anticipated, rather than left to the good-fortune or ill-fortune which attends the finding of a good dentist in the field.

Vaccination and Inoculation.—It is obvious that, regardless of the territory in which a man is sent, vaccination or re-vaccination against smallpox is an absolute essential. This applies with equal force to inoculations which prevent typhoid. A modern physician can be depended upon to advise wisely in regard to any immunization treatment against malaria or other diseases than smallpox or typhoid.

The export executive should not take it for granted that the examining or consulting physician will fully inform the salesman. Therefore, it is the duty of the export executive rather than the physician to be positive that the export salesman is sent into the field with an adequate knowledge of what to drink and what not to drink; what to eat and what not to eat; how much to eat, and what precautions he should take whenever he is exposed to any specific diseases. There is no excuse today for the failure of a traveler's equipment to include mosquito nets where they are certain to be needed, nor for his ignorance of the proper treatment when attacked by the hookworm.

THE SALESMAN'S WARDROBE

It is the duty of the export executive to acquaint himself fully with the requirements of the traveling salesman's wardrobe. It is self-evident that this will vary somewhat in connection with the territory covered by the salesman. The nature of the product and the method of its sale may well have an important bearing upon the completeness of the wardrobe. In certain lines and circumstances it will be not only advisable, but socially necessary, for the traveler to carry with him evening dress, a dinner coat and, very possibly, other formal clothes. The worth of governmental, public, semi-public and coöperative sources of information is well proved in these as in other minor problems of exporting.

While differences of opinion will be found as to the wardrobe requirements of the export traveler in his journeyings, these will be no harder to reconcile than the conflicting opinions in connection with the wardrobe equipment of the domestic sales-

man. Fundamentally the export salesman's wardrobe should insure his comfort—physical and mental.

PORT FORMALITIES

While it is certain that regulations governing the departure and entry of export salesmen will be modified, it is well to indicate the fact that restrictive regulations are now and probably will continue in existence in some form. It is, therefore, essential that before the departure of a salesman overseas the Bureau of Foreign and Domestic Commerce or some export organization be consulted, to make sure that no income tax, passport or other regulation be neglected. It is important, also, that the salesman be definitely instructed in regard to the clearance of his samples on his return from a trip abroad. In some cases, at present, the wise practice is to give the salesman's samples to some customer or agent in the last foreign city on the salesman's route.

Bonding the Export Salesman.—The character of the export salesman has not been stressed in earlier chapters. It is only common sense to prepare for the export road only salesmen in whom rugged honesty and positive personal and business morality abide as dominant forces. Just as character is the *siné qua non* of credit it is absolutely *the* qualification the existence of which every employer of export salesmen must determine—and beyond the slightest doubt. At first thought it seems paradoxical to insist, also, that the export salesman should be bonded. But bonding insures the future rather than insults the present. This has been proven true repeatedly. The bank messenger who risked his life for his employer's interests has later succumbed when his moral fibre deteriorated. The most loyal of employees may lose mental balance and change to a major or minor kleptomaniac. It is sound business judgment to bond every export salesman for the full total of his pecuniary trusts.

The Route Sheet.—It is always advisable for a route sheet to be prepared covering the salesman's entire trip. Against each city should be placed his mail and his cable addresses, and the dates at which it is expected he will be in each city.

It would be absurd to imagine that the salesman will be on time in reaching each city, and that he will stay exactly the number of days indicated on such a route sheet. The advantage lies not in the accuracy of the calculations but in having a

definite base from which the salesman can work. Such a definite set of dates enables him to cable intelligently in regard to his progress. It is indispensable in connection with any private route codes. Merely because an entry on the route sheet shows that a salesman is scheduled to be in Rio de Janeiro on August 6, by no means indicates the day, or even the month, in which he will actually be in Rio. But it does enable the salesman to cable that he is three weeks late, with a certainty that this message cannot be misinterpreted, even though it is sent several weeks after his arrival in Rio. Modern exporting demands that the salesman's cable address be registered in each important city he visits. In some countries this can be done in advance of his departure; in others it is necessary for him to attend personally to the registration on arrival.

Mail Addresses.—The salesman's mail addresses can be in care of the American Consul, in care of an agent or prominent customer, or in care of a bank,—to list the leading methods employed. When the hotel is definitely known in advance it is advisable to use it for the address, unless there is some better method possible. It is always inadvisable to have mail sent to "General Delivery" or its equivalent, because this may well mean long, tedious, wasteful waiting in line and difficulties in connection with identification.

CORRESPONDENCE

The salesman in the field is entitled to the fullest possible knowledge of all contacts between the territory he covers and the parent enterprise. Not only should he receive copies and follow copies of all closed transactions as evidenced by invoices, but, similarly, he should receive copies and follow copies of all correspondence sent by the parent enterprise into his territory, together with copies of all important letters originating in his territory, the contents of which are not clearly indicated by replies of which he receives copies.

In addition to the care which should be taken in connection with mailing addresses, on which stress is laid elsewhere, it is important that the envelopes used, both by the parent enterprise and the salesman, should be strong enough to withstand the rigors of the long distances they travel, and sufficiently water-proof to resist the penetrating moisture inevitable in many instances.

It will aid the salesman to identify mail originating with his house if some unusual color or color-combination is used in the manufacture of the envelope, so that it will catch his eye even if wrongly filed in the hotel office, or mislaid but still in sight, there or elsewhere.

COPIES OF INVOICES

American overseas travelers are more commonly sent abroad by manufacturers who have a wide line of products to offer, than those who have a single article. When an enterprise manufactures a line which runs into scores, hundreds, or even thousands of items it is imperative that the foreign salesman carry with him in some form a record of the items purchased by each existing customer. This record may be in the form of a bound volume of copies of invoices for one, two, three or more years, arranged alphabetically or by correspondence numbers of the customer. Where copying is necessarily done this is not a wasteful method, since the sheets can be of thinnest onion-skin tissue. Loose-leaf filing of carbon copies of invoices is a second method. There is a growing use in foreign as in domestic fields of an analysis card showing the actual purchases by items of each customer.

Indirect Purchases Shown.—In just the same manner the indirect overseas purchases can be shown. More and more, export commission houses are coöperating with export manufacturers, just as, more and more, export manufacturers are wisely coöperating with export commission houses. As a result of this mutually increased contact there has been a growth of mutual confidence. This, in turn, has led to the identification of shipping marks in order that the manufacturer might not unwittingly solicit direct orders or in any way alienate importers abroad from purchasing his products through export commission houses.

Those exporting manufacturers who have close relations with export commission houses are thus enabled to equip their salesmen with copies of invoices made through commission houses and bearing the full name and address of the consignees—a decided sales assistance of mutual value to both the manufacturing exporter and the export house.

The Portable Typewriter.—Guesswork should be eliminated

in connection with export orders and export correspondence. This points to the equipment of the foreign salesman with one of the several excellent portable typewriters. The use of the typewriter in place of long-hand is not an extravagance. It records clean-cut and unmistakable quantities and catalog numbers on orders. It results in easily read originals and "follow copies" of correspondence. It places in the hands of each customer sold a thoroughly legible copy of the order which he has placed. Incidentally, in this connection, the foreign traveler in the field should secure signed copies of all orders. He should receive as well as send follow copies of all orders and invoices, and all correspondence.

Mechanical Aids to Accuracy.—It has already been emphasized that the good salesman must also be a good clerk. It is the duty of the export executive to aid positively in this direction by equipping his overseas travelers with order forms, credit report blanks, correspondence blocks and statistical record forms which will minimize clerical labor while, at the same time, directing a salesman positively toward the supplying of the exact information required of him.

THE SALESMAN'S FUNDS

American manufacturers sending salesman overseas have rightly been criticized for having made no adequate arrangements for the salesman's funds. Many cases have been reported to export organizations which have shown clearly a lack of understanding as to the fundamental importance of properly financing the export salesman. Letters of credit and travelers' checks are approved, because they have stood the test of time. One Eastern manufacturer makes it a point to supply his salesman with a letter of credit sufficient for the minimum requirements of the entire trip. A second letter of credit, of similar size is sent to an intermediate point on the salesman's journey. Arrangements are made so that it will be safely held for the salesman's arrival.

Legitimate Expenses Defined.—The unusual is to be anticipated in connection with the expenses of the export salesman. Not only should his funds be ample to care for the unexpected, but, also, there should be a clear understanding between the export executive and the salesman in regard to expenses, before

rather than after a trip is started. There should be defined, in writing, exactly the expenses which the employer considers legitimate. If pressing and laundry items are to be included as business expenses, this point should be a matter of record. Beyond the bounds of specific anticipation the salesman should be carefully instructed, so that, with a knowledge of the general principles, his own common sense will prevent any unneeded conflict of opinion.

Cable Collect Cards.—In connection with the financing of the export salesman it is advisable to anticipate, so far as possible, his activities which by advance arrangements might well be paid from the home office rather than by the salesman in the field. There are limited possibilities offered by the use of "cable collect cards" or their equivalent. The several privately owned cable companies are willing to issue these for use in cities overseas in which they maintain branch offices, but not for use elsewhere.

Many cable companies are government owned and have regulations requiring prepayment of cables. In consequence, much of Europe, for example, is thus barred from the field of collect cable messages. The total of all limitations and the number of "collect cards" or "letters of authority for collect messages" places such a burden on the wide-traveling export salesman that their use is not general. This collect service is well adapted for use by resident agents abroad in the cases where cable tolls are chargeable to the American manufacturer. In the fortunate zones a salesman's withdrawals against funds can often be decidedly reduced, particularly in lines in which prices change daily.

Powers of Attorney.—In several countries, notably Brazil, the traveler may need a Power of Attorney. No guess work should be permitted in this connection. The Bureau of Foreign and Domestic Commerce will supply detailed information which will lead to the preparation of an adequate Power of Attorney. Each enterprise must decide for itself exactly what authority it wishes to confer by its Powers of Attorney to its export salesmen. Manifestly these, to be of service, must, however, include such powers as are necessitated by the existing legislation in each political division to be visited. There is no reason why any manufacturer should go further in a Power of Attorney than common sense dictates. Obviously, a veteran traveler who enjoys the entire confidence of his employers can

safely be entrusted with an entirely different document than that supplied to a new employee.

Letters of Introduction.—There is a growing understanding of the value of well-selected letters of introduction for the use of the export salesman. These prepare the field for the salesman in one sense, and with certain salesmen they certainly have distinct value in preparing him for the field. Many men are so constituted that they have unlimited confidence the moment they know that they have some definite person in each city with whom to confer. With such men the use of letters of introduction is decidedly valuable. Such letters can originate with export organizations and associations, trade bodies, foreign freight forwarders, transportation companies, banks, mercantile and credit agencies, and business and personal friends of the management and executive staff of the exporting enterprise. It is always well to anticipate the salesman's visits by letters written and mailed to customers and agents, as well as letters of introduction to be carried and presented by the salesman in person.

Letters of Authority.—A continental custom which occasionally proves its worth is the equipping of the overseas traveler with a definite letter of authority. This differs from a Power of Attorney in that it defines the exact relations of the salesman to the parent enterprise in many details which would not of necessity be properly the subject of a Power of Attorney. Such a letter might well define the right of the salesman to serve notice of the cancellation of agency relations, or to enter into agency relations. Occasionally such letters include the right to contract for local advertising and the incurring of similar expenses.

THE SALESMAN'S INSTRUCTIONS BOOK

It is well to bind the loose typewritten sheets or letters of instruction in a permanent cover, reserving a duplicate carbon copy for the export manager's desk. While loose-leaf binders offer conveniences, for this one purpose it has been found that the compactness, security and permanence of the bookbinder's method are best in service.

This book at its best contains all vital information not included in prospective customers sheets. Cable codes, tables of freight rates, copies of invoices, competitors' prices, exposition of poli-

cies, the salesman's route by dates, agency arrangements, if any, in force, specimen agency contracts, special prices to be offered in certain contingencies—these few items show the possibilities of this book.

Standard Agency Agreement.—The exclusive export agent and the exclusive export agency contract are discussed in detail in other chapters. A growing practice, and one which has much to commend it, is to include in an envelope affixed to the cover of the salesman's instruction book copies of the standard agency agreement written in the languages of the countries which the salesman will visit. The advantages of having these contracts separate from the book are obvious, when it is considered that the prospective agent will naturally wish to study at length the provisions of the agreement, and that, naturally, the salesman's private instructions book should never be permitted to pass from the hand of the salesman himself.

Stationery Items.—Every effort should be made to aid the export salesman to convince each prospective purchaser quickly and thoroughly of the desirability of the parent enterprise as a source of supply. In direct consequence of this important truth every care should be taken so that the salesman is equipped towards this end in connection with his business cards, his personal cards, cards sent in advance announcing the day of his calls and his personal stationery. An enterprise may be so well known in the United States that the most inexpensive business card is ample identification. But it is unsafe to assume overseas that other than a genuinely engraved card will suffice. Modern tendencies lean toward color embossing combined with engraving, with a minimum of text, for the business card of the foreign traveler.

The Traveling Library.—Condensed information of general character has a definite place in the equipment of the foreign salesman. Such volumes as the *Export Encyclopedia*, the specific cable code used for messages, and a compendium of information such as the *World Almanac*, have repeatedly proved of direct value.

In preparing the salesman for the field the four most important things to perfect are his catalog and price list, his samples, his prospective customers sheets and his salesman's book. These, plus a thorough physical examination, are prerequisites—if the best methods are to be accepted.

ROUTING THE EXPORT SALESMAN

It is a safe prophecy that the export salesman of the future will be better routed than the export salesman of the past.

There are two reasons behind this prediction. The first is that the export salesmen in the past have been poorly routed. The second is, that export managers are turning their attention to the proper routing of salesmen. A salesman left to himself seldom routes himself intelligently, because of his tendency to cover only the larger markets, and to neglect the smaller cities and countries which, combined, are perhaps fully as valuable as any one of those of the larger centers. For this reason it is seldom, if ever, advisable to hire the export salesman, at least in his early years, on a commission basis. To do this is to work against the salesman's pocket book and, consequently, against the best interests of the partnership composed of the salesman and the manufacturer.

To cite a definite example: A Western manufacturer found his salesman, when given the territory which includes the islands in and the countries bordering on the Gulf of Mexico, routing himself so that he would visit only Havana, San Juan, Caracas and Panama. When correctly re-routed, experience proved that the sales in the territory omitted produced four times as great a sales volume as the four cities the salesman had selected.

Details for the Export Manager.—When the salesman is routed correctly, the next step is to make sure that he will visit in the cities to which he is routed all the most desirable prospective customers. This happy result can only come by the closest coöperation between the salesman and the executive in charge of the manufacturer's export activities.

The average export manager seldom comes to his title with experience in securing, training or routing salesmen. As a result, whenever he can do so, he plays safe in securing part of the services of an experienced export traveler. Often he himself becomes an export semi-salesman for no other reason than his lack of knowledge of the vast difference in function between a salesman and a sales manager. This is clearly shown in the cases in which a sales manager or an executive with sales managerial knowledge and instincts takes charge of the export development of an enterprise.

Almost invariably one of his first steps is to build up an export sales staff of travelers—which is usually the last step of the

average export manager who has never handled salesmen before sitting in the export manager's chair.

Our National Investment.—It has been estimated that the exporters of the United States pay more than ten million dollars a year in traveling expenses of out-and-out export salesmen, and nearly eight hundred thousand dollars more for traveling expenses concealed in the commissions of combination export salesmen. A further three hundred thousand is the estimate of traveling expenses of executives, tonnage men and export managers. No estimate is given to cover salesmen attached to branch houses overseas or Canadian travelers. In view of this more than eleven-million-dollar annual expense for sales travel, it is evident that the question of routing is a most important one.

Not long ago, one veteran traveler was found imposing shamefully on his firm by visiting in person only Havana, Santiago, San Juan, Ponce and Panama, although he was given credit for all sales in the islands in and countries bordering on the Gulf of Mexico. His line was competitive, required a skilled, persistent man to introduce it and regular visits to bring volume. Even with agencies his personal presence was needed in the great majority of smaller cities in his territory every year, and in the balance, at least one visit every other year.

Since the export manager was inexperienced in his position he did not detect the imposition at a glance. The salesman several years previously had recommended the appointment of agencies in all countries except Cuba, Porto Rico, Venezuela and Panama. His suggestions had been adopted because of his long connection with the House and sales successes in the South and Southwest of the United States.

Examples of Poor Routing.—The export manager's suspicions were first aroused when a brother export manager casually mentioned a cable sent by his salesman when he was in Medellin. Investigation proved that sales in Colombia were negligible. A comparison of routes resulted. When this was completed it was clear that not one-fourth of the cities in the Gulf territory were even visited. Thus it proved another case in which the old story of a veteran export salesman and a new export manager was repeated. As usual, it was a striking proof that the export salesman who routes himself slights his territory. *This is no reflection upon export salesmen.* It is an open criticism

of any system of export planning that does not first view the world as a whole and then divide the world into territories, many of which call for sales treatment by salesmen at some period of sales development. It is a criticism of export managers who fail to put each country logically in "salesman's territory" under the microscope.

Correct routing of export salesmen involves intensive practical study. It places on the shoulders of the export manager a most difficult task. There is no one royal road to good routing except hard work and intelligent recording of the results. The problem of the export manager is to profit by the experience of the experienced.

The export manager of today therefore routes his salesman to interior cities wherever and whenever his preliminary investigations indicate a probability of profitable sales.

Then he paves the way for the salesman's visit.

CHAPTER XIII

COÖPERATION WITH THE EXPORT SALESMAN IN THE FIELD

"There is no law which prevents the frequent use of the cable and the mails to keep the salesman in touch with headquarters."

—Herbert B. Maxwell.

Advantages of Correct Supervision of Field Work. How to Maintain Contact at a Distance. Registration of Salesman's Cable Addresses Abroad. How to Secure Prompt Delivery of Mail. Building Prestige for the Salesman. Detecting and Correcting Weaknesses of Salesman While Overseas. Use of Cables in Coöperating with Field Workers. Letters That Inspire Salesmen to Best Efforts. Following up the Work of the Export Salesman. European and American Methods Compared. Reviewing the Field with the Export Salesman on His Return. Ten Guide-posts for the Export Manager in Checking Field Work. Dangers Inherent in Hard and Fast Rules. Rigid Policy in Production Proved Costly. Example of Important Customer Lost by Unwillingness to Modify Package. Emergency Measures Which Have Won Latin-American Merchants. Profitable By-products of Meeting Wishes of Importers Abroad.

The export salesman is a human being. He has his strength and his weakness, like all human beings. With the increasing distance from his headquarters, he feels the lack of the daily intensive training, the conferences over problems real and imagined, and, most of all, he misses the support that he could always rely upon in his trial domestic selling. These truths alone justify short foreign trips before the test of the long journeying. They drive home the need of being with the salesman in the field.

Proper Supervision.—There are always dangers in either too great strictness or entire absence of supervision. It is folly to tie a man's hands and expect him to sell goods. It is equally foolish to permit the salesman to be the sole judge of prices, terms and credits. Somewhere between the rigid rules that leave no play for the salesman's initiative and the policy that leaves the salesman to work out his destiny single-handed, is the happy medium each exporting manufacturer should seek to find. The enterprise which feels that good results can come from salesmen chafing under unwise restraint is comparable only in its self-imposed blindness to the enterprise which expects an export salesman to be a whole export department in himself.

The Salesman's Cable Addresses.—The closest possible contact with the export salesman in the field is only half satisfactory. Consequently, every effort should be made to take full advantage of all existing facilities and possibilities. Before the export salesman leaves—months before, in fact—the exporting manufacturer should register the cable address of his salesman in every city he is to visit. This will cut cable bills most decidedly, and it will encourage cabling because of the lessened expense. The salesman, by means of a private code, should cable by a single word from each city he visits his complete plans, including length of stay, whether he is ahead or behind schedule and how much, the state of his health, funds and samples and the attitude of agents or leading dealers.

Avoiding Common Mail Difficulties.—Similar care should be taken to ensure safe delivery of the salesman's mail. Where this cannot be addressed in the care of some friendly customer it can often be sent in care of the American Consulate.

Keeping the Salesman Up to Date.—It should hardly be necessary to point out that carbon copies of all letters to customers, and carbon copies of invoices, should be mailed promptly to the man in the field. He should, of course, be kept in touch also with all export advertising plans which affect his territory, and sent samples of any new dealer literature or sales helps which can be used effectively by him. It should be the duty of the export executive to acquaint the head of each department with the wisdom of keeping the export salesman in touch with their every activity which could be of interest.

Creating the Proper Atmosphere.—It is only fair to the export salesman to assure his standing in the eyes of the merchants on whom he calls. This is not merely a matter of a high sounding title. It is an effect only produced when the exporter deems his representative worthy of trust and shows this respect in his correspondence, in the manner in which his salesman travels, in the many little things such as the use of catalogs lettered in gold with the salesman's name, in the quality of the salesman's cards and advance cards, in the manner in which the manufacturer refers to the salesman in his letters and in the manner in which the exporter lives up to the dealer's requests when granted by the salesman. A good salesman deserves this respect and backing. The poor salesman should never have been permitted to represent the manufacturer.

Detecting Field Weaknesses.—It is not easy to detect and correct the weaknesses of salesmen when in the field. Even well-known local conditions may change quickly, making the test based on results of no value and of great unfairness. The spy system never worked well at home or abroad. It is a degradation of both the exporter and the salesman unless justified by unusual circumstances. But in the salesman's reports—in the printed words and between the lines of the printed words—there is much that can be read. The very tone of letters, of comments made in returning the prospective customer sheets, is enough to tell much of the salesman's work in the field.

Use of the Cable.—Any carelessness in clerical accuracy, any failure to make special reports which have been asked for, any long delays or shortened stays not explained in the coded cables and an over-abundance of excuses create a situation which the export executive must face. Then, if ever, the cable, regardless of cost, is none too satisfactory. For in the cold medium of the cable it is hard to put the note of encouragement and of confidence needed to revivify the flagging spirit of the discouraged salesman thousands of miles away from a friendly handclasp. And it is infinitely harder to convey constructive criticism by cable in the cases where only by such criticism can a salesman be saved from the result of his own weaknesses or errors.

Anticipating the Probable.—The need is, therefore, to anticipate the possible and the probable. Many an export salesman, veteran as well as novice, has been lifted from depression by finding on arrival at port a letter free from all except news, gossip and the friendliest of spirits. Many a salesman has found inspiration in the letters suggesting certain ways to meet changed competitive conditions and which showed from salutation to closing a spirit of partnership effort and of positive belief that, no matter what obstacles might interpose, the salesman had the knowledge and energy to overcome them.

Keeping in Touch with the Salesman.—There is still a fear of free use of the cable in advising salesmen of new policies and prices, products and added lines. It would result in more and longer cables if the cost was rigidly compared with the probable results. The export salesman who receives frequent cables is certain to realize that he is being kept in mind. This certainty on his part brings his efforts to a higher level, for he knows that distance has not meant forgetfulness. He realizes that his

work is still under observation. He knows that, far or near from home, his house is working with him and is not fearful that the expense will not be justified. The export salesman in the field is only out of control, out of range of aid, out of the activities of the organization so far as the restrictions of the mails and cables erect a barrier. The good exporter realizes the needs of the salesman in the field and is willing to spend brains and money to offset these mechanical difficulties.

FOLLOWING UP THE EXPORT SALESMAN

"The real follow-up begins only when the trail has been discovered.
The hound cannot catch rabbits where none exist."

—Louis Victor Eytinge.

One of the ablest business men and, at the same time, one who furnished one of the most spectacular of failures two decades ago, when asked the reason for his downfall, said: "I had no one to pick up the chips left in the paths I hewed."

Profit consists of that which is surplus after returns have cancelled expenditures. Profits are the chips left in the path.

Capitalizing the Salesman's Efforts.—In this truth can be seen the importance of skilfully following up the work of the export salesman. In many cases it means the difference between profit and loss—particularly on initial trips when the investment is the greatest and the immediate returns are the least. The best of salesmen cannot hope to overcome circumstances in every case. A recent arrival of a heavy consignment of competitive goods may make the securing of an order impossible at the time. The skilful following up of the salesman's visit may, however, make the consignment which blocked the sale the last of any of other than the goods the salesman so convincingly portrayed and in which the "follow-up letters" maintained interest.

When the Salesman Cannot Close the Sale.—The buyer may be out or ill; a recent fire or even a national disaster (such as an earthquake, tornado or volcanic eruption) may have barred the salesman from immediate orders. But the information gained and the acquaintance made can, in even these cases, be capitalized to ultimate success by the following up of the trail. Half-made sales—which remain behind even the best of salesmen—may be consummated by the sales appeal directed at the point the salesman felt to be most vulnerable. Additional items to

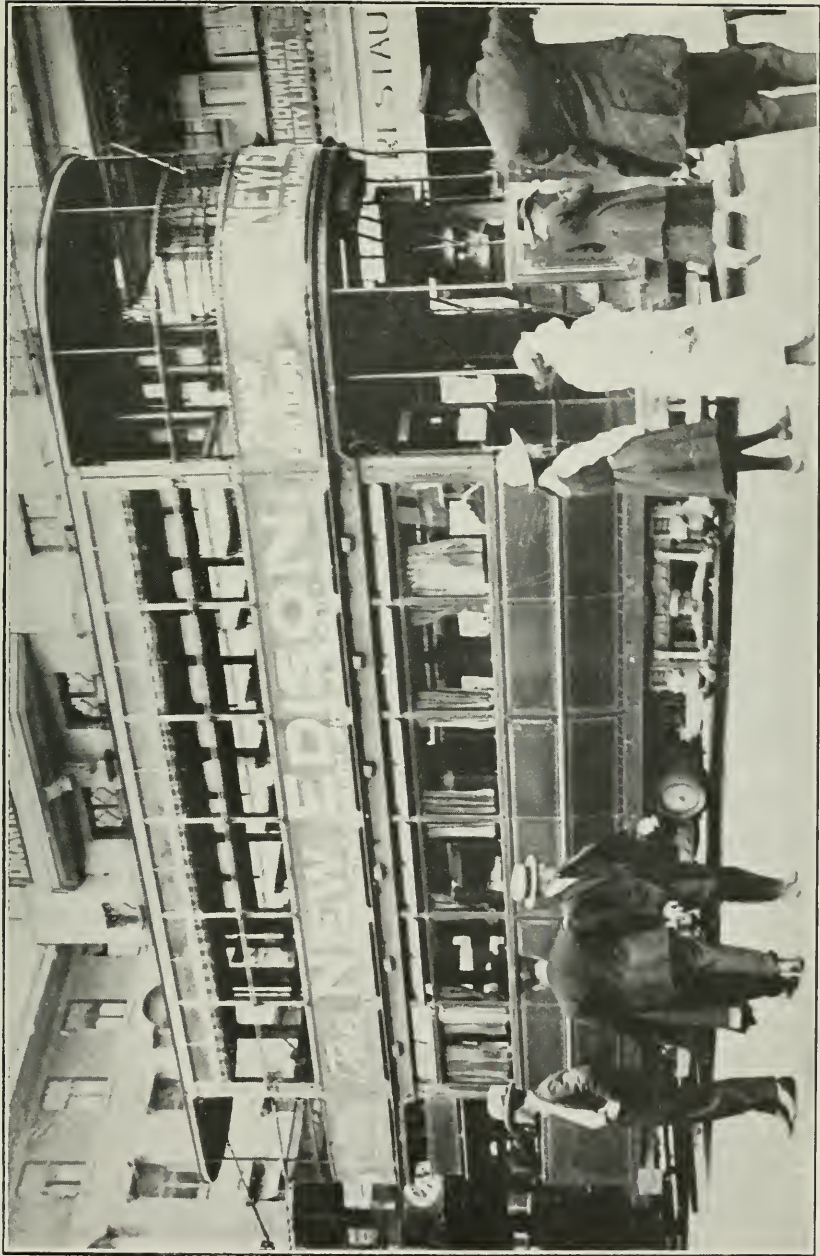


Fig 8.—Advertising Diamond Discs in the Diamond fields. Edison Phonographs speak for themselves in Johannesburg—
and elsewhere.

orders secured can often be added, particularly when the order is divided into several parts shipped at wide intervals.

Following up the Trial Order.—Sample or trial orders of moderate size are a particularly prolific field for the efforts of the export executive. Here the salesman has gained a footing, but has been unable to ensure complete partnership. The handling of the trial order and the selling of the mutual advantages of further and larger transactions supplies one of the most fascinating problems which it is the good fortune of the export man to solve.

Where European Methods Are Incomplete.—It is repeated here that the major difference between the selling methods of American and European manufacturing exporters lies in the fact that the American manufacturer actively assists the foreign merchant to move the goods from his shelves. No small part of this important work must be done by following up the educational work started by the export salesman. It is not fair to desert the salesman and ship the advertising material without comment. Even repetition of the salesman's suggestions in regard to windows, counters, aisles and shelves is entirely wise. The plans for distribution of samples and booklets are equally worthwhile subjects for letters, and the tying up of the merchant's establishment with local and other advertising, justifies emphasis and explanation of the most successful methods employed by merchants in other countries.

Between Salesman's Trips.—The cardinal rule for following up is to ensure that each customer's mind is kept on the manufacturer's products in a way to result in maximum sales between salesman's visits and to secure as customers every prospect which the salesman reports as a worthy connection. Between salesman's visits the exporter should become so well acquainted with his customers and prospective customers that the salesman becomes the binding link in the relationship rather than the only common point of interest.

Following up the export salesman's visits is not a task for the clerk. It demands the best brains of the most skillful of merchandisers before its actual execution can be safely and wisely entrusted to others.

REVIEWING THE FIELD WITH THE EXPORT SALESMAN ON HIS RETURN

"The time you should be closest to your salesman is on his return from a long trip."—G. Morton Thurston.

The time to secure and record impressions is when these are freshest and most clear. The export salesman should, therefore, report direct to the export executive immediately on his return from each trip, and not be permitted to follow his natural inclination to take his rest or vacation period at once.

Matters to Discuss.—No matter how accurate or how complete reports are sent in by mail and cable, there are many questions which should be asked and answered. There are plans for future developments which should be discussed, in order that they may progress while the salesman is recuperating. There are many points on which the export salesman's opinion should be sought and secured, not only by the export executive but also by the heads of the several departments directly and indirectly interested in foreign as well as domestic fields.

Ten Guide Posts.—The ten points which are enumerated below are guide posts. They are by no means a complete guide, since they purposely omit such vital matters as criticism of packing, invoicing and collection methods.

1. Analysis by salesman of each city and country he has visited—stenographic transcription of questions and comments made for permanent files

2. Analysis by customers checking up records, including individuals within firms to whom correspondence should be addressed and diagnosis of buyers' preferences and dislikes

3. Adjustment of any claims not already a matter of record

4. Salesman's criticism on general export sales helps, advertising plans and past or proposed sales policies

5. Salesman's criticism of past or proposed promotion work in his territory

6. Betterment of any practices or forms affecting territory as a whole

7. Review of use of samples carried and decision on samples for succeeding trip

8. Salesman's estimate of sales possibilities in his territory and his suggestions as to methods to be employed in order to develop these possibilities both rapidly and economically

9. Cities not visited within territory which should be visited on succeeding trip and method for preparation of these new fields

10. Necessities for salesman's territory as a whole before succeeding trip.

Coöperation with the export salesman can only be said truly to exist when it is the whole-hearted, broad-visioned, persistent effort of president and office boy, and all between these stations, to make the salesman's efforts bring the greatest net profits over a long term of years. The export salesman who is given this type of coöperation is an excellent investment.

"DON'T TIE A MAN'S HANDS AND EXPECT HIM TO SELL GOODS!"

A feeling of utter helplessness comes over a salesman when his hands are tied hard and fast by his house and a large order hinges on some slight deviation from standing instructions of the home office.

As a concrete example: In 1918, a thoroughly competent salesman was selling from Para, Brazil, to Guayaquil, Ecuador, eight carefully selected lines which appealed especially to the drug trade. One was an excellent line of perfumes and toilet waters. The salesman took an order in Pernambuco which specified that a certain expensive full-bloom rose perfume be packed in grosses in wooden boxes, instead of in dozens in counter-display boxes as listed.

The Canceled Item.—When the salesman got to Montevideo he learned that this item had been canceled, and a letter received by him read: "We must repeat our instructions and lay down a hard-and-fast rule that the specifications in our 1917 catalog are to be followed in every instance. Without a doubt, if you had borne our wishes in mind you could have sold the item in question in regular dozen packing."

It is not necessary to quote the rest of the letter. It was logically worded. But the fact remained that that order had hinged on figuring out that the Pernambuco firm could buy this line cheaper than that of a French competitor by use of the special packing asked for in the order. For this special packing kept down the duty in two distinct ways. On one hand this permitted a perfectly legitimate classification escaping a clause on "and their immediate receptacles plus any cartons or boxes not a part of necessary protection in transit." On the other hand, the packing avoided a clause regarding "lithographed cartons whether or not containing saleable products."

The salesman had worked these niceties out at night from the original Portuguese by a cheap hand lamp, for the hotels

were in quarantine just then and he had had to sleep in a sanitarium. To have some one, on the grounds of "policy," turn down a less expensive packing and a \$400 order, merely to teach the salesman a lesson in selling goods, was rank injustice to the salesman.

HANDLING UNUSUAL SITUATIONS

Another illustration: A veteran salesman interested the best and biggest wholesale druggist in Buenos Aires to the extent of looking at his line of samples. It was after a game of billiards that the salesman opened his perfume sample trunk. The line was attractive. He sold several dozen items without removing the bottles from their blue velvet compartments.

Then the buyer began to pick and choose and the items came one by one. Finally, he held a bottle in each hand and turned saying: "John, here's something I can sell—this wisteria, only with the fan stopper on this arbutus." While the salesman argued against the change the buyer had exchanged stoppers, which were the same size. Like a genius at the moment of his first invention, he gazed with mother love at the new combination admiration fairly streaming from his eyes, and continued: "Put down 300 dozen and leave me this sample, and I'll write you a repeat for more before you get out of Santiago."

The salesman could see the buyer's interest in the whole line ooze out as he failed to respond to the rhapsodies, and he knew if the buyer were told that the order for his personal combination could not be accepted, all was lost. He sent a \$25 cable at his own expense, mostly in code, only to get a one-word negative reply to his request. The veteran salesman's reply was equally crisp: "I resign. Letter follows." That cable enabled him to interest his friend in his other lines.

One correct method of handling unusual requests is chosen from the files of a San Francisco manufacturer. A salesman was in Iquique when one of his customers handed him a letter just in from the United States. The first paragraph was in good Spanish and apologized politely for the use of English in the balance of the letter. The letter explained that this was necessitated in order to catch the mail and save a fortnight.

In a simple, straightforward manner the manufacturer explained that a certain container ordered by the Chilian importer was

only customarily supplied for a certain style of liquid. In consequence, labels up to their standard of attractiveness were unfortunately not available. The letter expressed the courtesy of their patronage and advised that by having a special die made they were cutting the border from a label used on another style, which they felt would prove satisfactory, and trusted that their efforts would not prove displeasing. This treatment pleased the customer and put heart in the salesman.

Domestic Profits from Export Experiments.—This same American manufacturer, at the urgent request of one of its European salesmen, produced an item to retail at sixpence to meet local competition in England for a good customer. Not only were its efforts successful, but it proved a better package than the regular domestic 10-cent size and at \$1 a gross less cost. This saving, with its better appearance, caused its immediate adoption in the United States.

CHAPTER XIV

THE COMBINATION EXPORT SALESMAN

"The combination export salesman is one of the oldest methods of selling. At his best he has reached real heights. But he violates a first principle of salesmanship—concentration."—C. P. Cooper.

Two Main Types. Use of Combination Salesmen not a New Idea. Assets of Combination Travelers. Why They Seek to Hold Control of Their Customers. The Combination Salesman Resident Abroad. How He Differs from Combination Traveler. Example of Territories Covered and Methods Employed. Recent Developments in Combination Field. How to Create and Control Good Combination Travelers. Subletting of Salesmen by Manufacturers. Method of Division of Salary and Expenses. Effectiveness of Modern Combination Salesman Compared to One-line Traveler.

There are two types of combination export salesmen:

1. The combination traveling salesman visiting the country of his employer at regular intervals
2. The combination salesman resident abroad

The combination export salesman returning to headquarters at regular intervals is perhaps the oldest and perhaps the latest type of export traveler. Certainly, years before it was a general practice for manufacturers to send out salesmen, there were the sales adventurers who carried the lines of groups of manufacturers. In the early days, lines were selected at haphazard wherever the traveler could find a spirit bold enough even to consider sales abroad. The same salesman in one case sold flour, egg beaters, pencils, cotton goods and razors—not to mention heavy machinery! In the early days, the combination salesman was all but invariably on commission. Sometimes he exacted a modest expense allowance in addition to commissions or, in still rarer cases, expenses were advanced against prospective commissions.

The Independent Traveler.—Until very recently, this original conception of the combination salesman has held full sway—a man big enough to handle many lines and an experienced traveler with a wide acquaintance in the trade. In effect, the combination salesman really dominated his connections, both maker and buyer. He selected the lines he wished to sell and

neither asked nor wanted any particular assistance except rigid carrying out of his instructions. On his annual visits to the factories of the manufacturers whose products he sold the export traveler spent much time with the head shipper, laying down the law on export packing. He spent much time with the treasurer, describing export drafts and talking over export collections. He usually insisted on buying the president a good luncheon. He never had time for anyone to offer to help him—and he would almost have laughed had such an offer been made.

His Stock in Trade.—This type of combination salesman still exists—in fact, probably seven-eighths of the combination salesmen are more or less obviously of this type. Their stock in trade can easily be classified in order of importance:

1. Ability as salesmen
2. The ignorance of their employers
3. Intimacy with established trade outlets
4. Knowledge of export technique.

Keeping the Manufacturer in Ignorance.—Note that next to their ability as salesmen, is ranked “The ignorance of their employers.” Remember that it is a part—a large part—of the old style combination salesman’s assets. For just so long as the manufacturer remains in ignorance, just so long can the combination export salesman dominate the situation. As one able combination salesman stated several years ago, “I even guarantee the complete collection of all accounts sent in by me, rather than have any member of any concern I represent come to know more of my customers than what they need to know to ship goods—their names and addresses. I purposely instruct that only letters absolutely necessary be written. I have printed forms for acknowledgment of orders and advice of shipments I urge my customers to write or cable me (my own cable addresses are over two hundred) wherever my route shows them I may be.”

Semi-direct Representation a Luxury.—It must be apparent from this frank statement that only firms whose interest in export selling is academic rather than practical, can afford the luxury of such representation. It is only fair, however, to state clearly that there have been some wonderfully competent salesmen—men like Bouin and Chapman, who have owned shoulders broad enough to support the entire merchandising burden. These better salesmen, particularly in recent years, have so keenly felt the competition of exclusive salesmen backed by the

export manager of ability. In consequence, they now seek coöperation. They ask for sales assistance.

The Strength of the Salesman's Position.—It is entirely natural for the combination export salesman to seek to own and control "his" customers and "his" manufacturers. His coming dates back to days when there were no established and good American export methods. Only by dominating the situation could the combination export salesman feel at all sure that goods would be billed, shipped and packed correctly. On the other hand, the less the contact between actual buyer and seller, the stronger the salesman's position. If a manufacturer balked at commissions, or proved to be in any other way undesirable to the salesman, then, clearly, the less he knew about the buyer the less chance he had to hold him against the salesman's intimate relations.

THE COMBINATION SALESMAN RESIDENT ABROAD

The combination salesman resident abroad is the half-brother of the manufacturer's representative resident abroad who does not carry stock. The outstanding difference is clearly illustrated, however, by pointing out that the manufacturer's representative usually has offices continuously open at a fixed address. The headquarters of the combination salesman resident abroad is usually his home. He does not maintain offices and he travels far more widely, and during a greater portion of the year, than does the usual manufacturer's representative.

The Two Classes.—The combination salesman resident abroad falls naturally into one of these two classes—the group which confines its travels to a single country, and the other group which has headquarters in one country but travels in few or many other countries. The deciding factor for or against wide travel from foreign headquarters is more generally the product than the territory. But there is, nevertheless, a generous sprinkling of cases where the number and character of the population clearly decide this often difficult problem.

Examples of Differences.—The two types can be illustrated by pointing out that France, Argentina, Cuba and Mexico are quite commonly considered ample year-around fields of endeavor by the export combination salesman. Others will group all countries on the Gulf of Mexico as fair territory, and establish

headquarters in Panama or Caracas. It is not uncommon for such men to take China alone or to combine Australia, Tasmania and New Zealand. At least one ambitious salesman makes his "one-month-a-year" headquarters in Amsterdam, and travels in Belgium, France, Spain, Portugal, Algiers, Tunis, Italy and Switzerland. The salesman in mind handles four closely-allied lines and knows even the children of his customers, by age as well as name. He can travel easily and yet do justice in eight countries to all four products.

Modern Developments.—There are two recent developments in connection with the combination export salesman. It is entirely safe to call them "recent," even in the face of sporadic cases more than a hundred years ago, because the older cases were occasional and entirely without influence on current or following sales methods. It will be remembered that thus far in this discussion the fact has been emphasized that the combination export salesman sought out his manufacturing accounts, instructed them and dominated them. This, to a greater or lesser degree, covered every case. For only by good fortune could a maker locate a combination salesman when he wanted to make arrangements with one.

DEVELOPING THE COMBINATION EXPORT SALESMAN

The newer plan exactly reverses the process. The individual exporting manufacturer hires promising material. Then he first makes a salesman out of the material, then an export salesman—and finally a combination export salesman. To impress this on our minds let us present the process vertically in tabular form:

1. Untrained man
2. Salesman
3. Export salesman
4. Combination export salesman.

It will be interesting, later, to compare this newer type of combination export salesman with the direct-from-headquarters exclusive salesman. From this comparison, coupled with a knowledge of the exclusive salesman resident abroad, each export manager can test his own needs against the best selection of salesman types.

Elimination of Economic Waste.—What are the conditions

which justify the converting of an exclusive salesman into a combination salesman? The only truly sound answer is, "To prevent decided economic waste." The exclusive salesman should remain an exclusive salesman, from the standpoint of the employer certainly, so long as there is fair opportunity for accomplishment. In cases where his original territory can wisely be increased, it is usually far better to add to his range than to share him with others. It is a safe rule, when in doubt, to keep the exclusive salesman an exclusive salesman.

QUALIFICATIONS ESSENTIAL IN THE COMBINATION TRAVELER

There is a decided difference in salesmen. Some men who make good exclusive salesmen do not work at all well with a divided allegiance. Others find themselves quite unable to grasp and hold details of more than one line. A large number of salesmen take so much and so just pride in their original employer that they simply cannot do justice to any newcomers. The export manager should be sure that he knows—and not guesses—the salesman's viewpoint before planning too seriously on changing the salesman's duties radically.

The Capacity for Friendships.—The type that makes the best combination salesman wins his customers quickly by his own capacity for genuine friendships. Merchants buy the initial purchases often for the sole reason that they like him and trust him. As it soon transpires that he tells the truth and that his products are also reliable, the actual taking of the order each trip becomes a minor episode. The relation becomes at least three-quarters personal to one-quarter commercial. This period may easily come with the third trip. By the fifth trip it frequently happens that such a salesman has solved the problems of creating local consumer demand, and his products dominate the market. His time is so poorly filled, from a business angle, that where once the month between sailings was all too short, it now becomes three weeks, two weeks or a week too long.

SUB-LETTING THE SALESMAN

The modern export manager anticipates such a condition and plans so that with *his* salesman the waste does not occur. The modern export manager seeks and finds, and not infrequently is himself sought and found. In some allied line which should

be sold through identical outlets he finds an export executive with a worthy product and a liberal policy who needs direct representation. *Then the modern export manager sub-lets a definite portion of his salesman's time.* This sub-letting forms the greatest difference between the old-time combination export salesman "who was his own boss and traveled on his own time" and the new type that has, at least, limited further growth of the older type.

Avoiding Divided Authority.—The sub-letting of a part of a salesman's time is the fair way to the salesman, because there is no divided authority or responsibility. The first export manager lays out the route, explains the salary and expense management, defines clearly vacation privileges allowed and invites the second export manager to lease the available amount of services. Usually the first export manager has so well analyzed the field and the needs of the second export manager that only a conference and a confirming letter are needed. Now and then a slight change in routing is made to meet some special and perhaps temporary need of the second export manager.

Division of Salary and Expenses.—It is usual for the expenses and salary and time to be divided equally, the original employer contracting with the salesman, paying his entire salary and providing him with a letter of credit or other type of funds for traveling expenses. Each month the original employer bills the other exporter with his share of salary and expenses. The only exceptions to the pro rata division of expenses (which are reported only to the original employer, who then advises the other exporter) are in cases where expense is obviously incurred for the special benefit of either exporter. Such expenses would include orders cabled, other special cables, duties and excess freight on samples (where samples were unequally divided in number of trunks or weight), entertainment of a prospective customer for some reason impossible for but one of the pair—expenses clearly and indisputably for the sole benefit of one and not the other.

Limiting Lines Carried.—It is seldom advisable to add more than one line at a time. The exceptions are usually dictated by the nature of the products, such as the fact that they are novelties which require only presentation, or minor lines which involve no technical knowledge in selling. It is not at all unusual today for the employer of a good combination sales-

man of the new school to add products until perhaps three or even four major lines, and from two to six novelties, are ably handled by the single salesman by his tenth trip.

This extreme comes only when all lines have the same trade outlets and actually help to sell each other. Such a large number of lines is highly unwise until or unless the very great majority of importers look upon the salesman more as a buyer for them than as a salesman for anyone else.

A Three-cornered Partnership.—One of the best arrangements is a three-cornered partnership with two lines having identical customers, and a third line with customers within the group of the first two but at least half just outside this group. The beauty of this type of arrangement in the hands of a good salesman is that it inevitably leads to wider representation for all three houses. The salesman naturally sees the opportunities, for example, that a drug house is losing in not featuring stationery, and that a notion house is losing in not featuring toilet preparations.

The Road to Increased Compensation.—The new type of "combination salesman plan" is particularly fair to the salesman who has faith in his original employer. It provides, by the division of the tremendously high traveling expenses of today and of his salary, for increased compensation that he can truly earn in no way to the same extent. He is relieved of the financial worries of the older type of combination export salesman, and he is assisted in his sales in a way that the older type neither understands (except in rare cases) nor seemingly desires.

Estimating Effectiveness.—A carefully made estimate indicates that under ideal conditions, in the first year of a combination export salesman with two lines he showed an effectiveness of 90 per cent to his original employer and 80 per cent to the second exporter—a total of 170 per cent. Two years later, with another line added, he showed a total effectiveness of 255 per cent. This capitalization of the good salesman is sound economics. Its development will mean much to American export trade. Dollar for dollar invested, the new type of combination export salesman, *where he can be used wisely*, will bring the greatest returns.

CHAPTER XV

DEVELOPING EXPORT TRADE BY CORRESPONDENCE

"The business letter is the most important factor in the transaction of your business."—A. W. Shaw Co.

The Place of the Written Word in Export Selling. Correspondence Establishes the Reputation of an Enterprise. Every Letter Is a Sales Letter. The Construction of an Export Sales Letter. Mass Attack by Means of the Sales Letter. The Place of the Enclosure in Letter Series. Diagnosis as the Predominant Factor in Export Sales Correspondence. Letters that Build up Good Will.

The letter is the universal method of communicating sales ideas. The sales letter can convey its message to every port of the seven seas and every nook of the five continents. The written word is the medium which makes possible true world export trade, for there are many markets so difficult and expensive to reach by the salesman that the sales expense of personal representation is prohibitive. The letter must, therefore, be not only a method of communication with business relations established by personal contact, but also itself a means of bringing business relations into being.

The personal representative who is the strongest selling force when in action has limitations imposed by cost of selling. Business, to be profitable, must be conducted at a sales expense which soon becomes normal. For this reason the export sales letter often justifies abnormal sales expense in personal visits to make possible opening of business which can then be conducted by correspondence alone. In every phase of export selling the letter will be found as a positive sales force. Some prospective customers may be reached by advertising alone, to be sure, but once reached, it is the letter that develops their interest from that of the casual purchaser to the stage of the pleased customer and, later, to co-partner in the marketing of the manufacturer's products.

Why Letters Are Important.—Every actual export customer must be the recipient of letters. Even if the policy of the exporter is to refrain from more than formal contact, each shipment

of his merchandise must cause a letter of advice to the customer of the shipment. The good exporter welcomes every opportunity to write his customers, actual and prospective; for through these letters he is given the chance to prove himself more than a machine.

Nor is export correspondence confined to letters to customers and prospective customers. The export letters to the salesman are a most important factor in the development of export sales. Letters to sources of service and information in foreign countries are an integral part of world trade building. Letters to agents who are in no way customers, but rather resident selling representatives, are a means of profit-building which are superior to any other one form of maintaining the interest of a most important factor in the export trade of today.

The Power of Correspondence.—The place of the written word in export selling is known to be a high place. Its limitations are not yet known. The science and the art of using correspondence as a trade developer abroad are still in their infancy. A long-experienced exporter—one who is closely identified with recent improvements in international postal service—recently said, “I firmly believe that in the next decade the United States will grow to the realization of the tremendous power of the letter as a means of selling goods in foreign countries. I look to the early day when this fact is recognized so fully that there will be ten active exporters where there is now but one. The letter and the sample, both properly used, make possible the securing of new business abroad at a fraction of the cost of securing new business at home. The markets of the world await the pleasure of the skilled writer of export sales letters.”

It is a fatal fault in exporting to assume that the foreign merchant appreciates or has reason to appreciate the domestic standing of any manufacturer. The reputation of the exporter is built from the letters which go out on his letterheads.

This is clearly proved by a single example and from the deductions which can easily be drawn from this single example. An American manufacturer whose sales for forty years had been confined to the domestic market, wisely decided to seek sales outside the United States. Equally wisely it selected from its domestic sales force a veteran representative, a man of exceptional likeableness and personal magnetism. This salesman made a highly successful first trip. He opened accounts in each market he

visited with the most reliable and important merchants. He proved beyond doubt his own ability and honesty.

On his second trip his customers became his friends. He was entertained at their homes. He was welcomed at their clubs. His counsel and advice was sought in the general conduct of their business. But to the many new customers the salesman was the important factor. He could have easily transferred 90 per cent of the business which he had brought into being to any competitive product which he might have selected. The manufacturer had not established its reputation as more than an enterprise with a worthy product and the employer of one exceptionally able salesman.

HOW CORRESPONDENCE ESTABLISHES REPUTATION

But by the end of the fourth year the house, *through its correspondence*, had established its reputation. As one merchant told the salesman, "All of us liked you so well that we wished to confine our relations with your house to contact with you alone. We never wrote your house. We held all orders possible for your visits and cabled for our emergency needs. But since, by letter, we have come to know your president, your general manager, your sales manager, your finance man, your advertising man and your traffic man we must believe that your associates are all of your calibre. You are to be congratulated on identifying yourself with such an enterprise."

The executives of any enterprise meet but few of its customers, and these at infrequent intervals. Letters are, therefore, the medium by which policies are shown to its customers, and from letters deductions are drawn as to their fairness. It is particularly important, as the incident related shows, that, regardless of the individual or the department from which correspondence originates, there be a uniformity of tone, a building up, letter by letter, of goodwill. Every letter should build reputation for the enterprise as a whole instead of for the individual who signs the letter.

Pen-and-Ink Signatures.—It is particularly important in export selling that pen-and-ink signatures over titles be used. These pen-and-ink signatures over proper titles give to rather than take from the reputation of the enterprise as a whole. If only a cold typed signature of the corporate name appears there

can be no building of friendship for the entire enterprise by the addition of friends, one by one, whose names in the personal touch of pen-and-ink signatures come to be familiar.

It is highly important, also, that the tone of every letter to a foreign customer truly represent the enterprise. There can be crudeness of expression if, behind the crudeness, there is the proper spirit and the proper appreciation of the customer's needs and desires. But the curt, the impatient, the insinuating note in a single letter from any department will do damage all but impossible to repair.

For this reason—the tremendous damage a single poorly handled export letter can create—many firms have all letters to their foreign customers written in a single department. This is either a mistake or a convincing admission of a grave business weakness. It is a mistake—as shown by the episode of the salesman—to encourage customers to have their allegiance with an individual instead of with the business as a whole. It is a confession of weakness for any executive to admit that he has in his domestic employ any man whose work brings him in personal or semi-personal contact with customers who is unable to represent the enterprise creditably and with whom there is danger of loss of business by the tone of his communications.

Friendship Building.—The greatest asset that the export letter creates is the building of business friends. The greater the number of friends within an enterprise which each export customer feels he possesses, the greater is the certainty of his permanent regard for the enterprise as a whole.

Every Letter a Sales Letter.—Surely every communication with a customer or one who is desired as a customer must be a sales communication. Every letter must convey a sales idea. Take, for example, an acknowledgment of an order. On its face the letter is purely routine in character. Yet the sales idea to be considered and included is to make the acknowledgment of such a character that it will lead to other orders. The securing of further orders must admittedly be a sales development, and any letter that furthers the sales development is a sales letter. Take a collection letter as an example. It is quickly to be seen that a collection letter is *essentially* a sales letter. It paves the way, through its successful outcome, to sales impossible without it.

The Basis of the Collection Letter.—Indeed, the collection

letter of the best type is a direct rather than an indirect sales letter. One of the best types of collection letters causes payment to be made because the debtor is sold the desirability of some specific merchandise which he knows that he cannot obtain until he has liquidated his outstanding indebtedness. The fundamental sought in every letter, whether it be in relation to credits, collections, forwarding or actual merchandise, is to sell the broad idea that the exporting enterprise is one with which relations are desirable.

This idea of every letter as a sales letter must be clearly recognized by every correspondent and by every department. With the appreciation of the importance of this basic idea there will be an end to routine letters in exporting. Every letter offers each correspondent, no matter how humble his position, an opportunity to work directly in the most important of all tasks, the bringing into being of closer relations with customers. There is no man in any enterprise too high, and no man too low in position, to be an exception to this rule.

Individual Thought in Each Letter.—Since every letter must be a sales letter, must be a definite step toward a definite goal, it follows as a natural consequence that each letter must be freed from the routine in expression as well as the routine in thought. Letters may be conventional, but never stereotyped. The customer is entitled not only to the courtesy of acknowledgments and advices but also to individual thought and individual treatment. To make every letter a sales letter the correspondent must learn to make each letter contain both his own personality and this carefully adapted to the individuality of its recipient.

There is ample opportunity to make every letter a sales letter. It is a question of state of mind on the part of its writer. If the writer merely corresponds from necessity or from ordinary business courtesy his letters will reveal the fact by their entire absence of the selling thought and from the absence of the spirit of service which must be behind each selling thought to make it sincere.

“Remembering your instructions” or “Because of your preference” change the most mechanical of letters into personal messages reminding the customer of your standards of service in their direct application to him. The “We have shipped per S. S. Asiatic” is inferior to “Your order, including sales helps in

which you have shown such interest, has gone forward by S. S. Asiatic," not only because the first expression of the idea is stereotyped but also because the mental image which the second wording brings before the buyer is personal and pleasing.

The Adjustment Letter.—In adjustments it is possible to do more harm than good, even when meeting the customer's rights and wishes completely, if the letter confirming the adjustment leaves room for the inference that the adjustment is reluctantly granted and is an imposition. Letter after letter to export customers on a matter of adjustment has offended customers when the opportunity for a sales letter in the fullest meaning of the term was offered—offered at a cost which *demand*ed the right letter which would cement instead of destroy the business relation so hard to win and so easy to lose. There should be a heavy penalty for any one who makes an adjustment an insult to the foreign merchant. There is a heavy penalty to the enterprise he represents.

Almost the first question of the export beginner is, "Must we write to foreign merchants in their own language?" The export beginner should ask that question and it should be promptly and unequivocally answered in the affirmative. The exceptions will care for themselves, once the novice knows the rule.

Why Letters Are Translated.—It is not catering to a whim nor is it merely a compliment to write to the Brazilian merchant in Portuguese; to the Argentinian in Spanish; to the Swedish merchant in Swedish. There is an easily recognizable business principle involved. It is never wise to place an artificial obstacle between seller and buyer. The use of any language with which the buyer is not thoroughly familiar is an artificial obstacle which the seller should never permit.

This principle explains not only the rule, but also its exceptions. For the importing merchants in China and Japan, with few cases to the contrary, are in a position to receive business communications in English, and hence the artificial obstacle does not exist. On the other hand, since 1600 the Brazilian merchant has had a distinct dislike for Spanish as a language and a distinct pride in Portuguese as a language. While he may (and usually does) understand Spanish perfectly, he resents its use in correspondence. This fact makes the use of Spanish in correspondence with Brazil an artificial obstacle because of the nature of its reception by the Brazilian merchant.

Fundamentals of Construction.—In the construction of an export sales letter it is well to remember that before a sale is attempted the prospective buyer's mind should be freed from any doubts as to the ability and stability of the exporter. It must be emphasized that the foreign merchant is seldom aware of the importance of more than a score of American manufacturers. He is aware of their importance because their fame is international rather than national, and because by intelligent expenditure they have made their names known internationally.

Until the foreign merchant is convinced that the source of supply is desirable it is not sense to assume that he will favorably consider a specific product on its merits. Too many American manufacturers starting in to export blind themselves to this fact and draw entirely wrong deductions when their particular worthy articles are not readily accepted by those to whom they are offered. The foreign merchant is so far from his sources of supply that he needs must be certain that the enterprise behind the product is as worthy as the product itself is desirable. If the American manufacturer will but place himself squarely in the position of the importing merchant he will see both the wisdom and the need for this attitude.

The Bond of Common Interest.—In each export sales letter there should be a common point of interest, and no forward step should be taken until the common point of interest has been located. Once there is this bond, the development of the sales message is possible along lines which can lead to the desired result. For example, the foreign merchant is interested in his own profit. This is a common point of interest, because unless the foreign merchant will profit by his purchases then surely no exporter can reasonably expect him to purchase. The foreign merchant is interested in the acquisition of new sources of supply only when they will serve him better than existing sources of supply. Once the American exporter can convince the foreign merchant that this desire is one which he can meet, the logical step is the opening of business relations.

The construction of the export sales letter thus condenses itself into a series of rules which appeal by their simplicity and reasonableness to any student or practitioner of business. The mere fact that the foreign merchant wishes first to be sure of the stability of his sources of supply argues that the same foreign merchant is a desirable customer who will not shift, when once

secured, except for good reasons. It argues that he will remain solvent because of the care he exercises in his business relations. It argues that he will be open to conviction of merit because he buys on a sound basis rather than from caprice.

The export sales letter can, therefore, be built on lines wherein the export will win and the novice will lose—which is a solid foundation, for it means that pains will be repaid and that the customer honestly won will not be lost to the haphazard exporter who ignores and scorns fundamentals.

THE MASS ATTACK

One of the most important means of developing foreign sales is the intelligent use of the form sales letter. Because exporting is not exploration or discovery there are many ways in which lists of prospective customers can be obtained. It is perfectly possible to build up quickly and at comparatively small expense a mailing list running into thousands of selected names of foreign merchants known to be interested in the sale of articles of the same general nature as those of all except the unusual manufacturer. The maker of stationery, shoes, labor-saving devices, cooking utensils, tooth pastes—of the thousands of typical American products—can have in a few weeks from the time he decides to seek export profits lists so prepared as to eliminate the unworthy and to include the desirable.

Lists Are Targets.—These lists are worthless in themselves. They merely supply targets toward which selling messages can be aimed. Because it is seldom possible to cover quickly and adequately more than a small fraction of desirable customers by the visits of personal representatives, these lists are of double importance. First of all, they furnish a means to sell merchants located in cities which travelers seldom visit and, second, they offer a means to prepare merchants' minds for the later arrival of travelers.

The strength of these lists and of the sales methods used to capitalize them lie in three distinct divisions. The possibility of reaching simultaneously thousands of known buyers is a tremendous asset. The low cost of letters in comparison with other selling methods furnishes a second advantage. The economy of using the same sales appeal in every corner of the world leaves the export executive free to develop many other

sales ideas where by individual appeal his time would be so fully used that development would be all but impossible.

Inherent Weaknesses.—The weakness of sales appeal based on such lists is the impossibility of making each letter an individual letter which would appeal to the individual instead of to the general type of individual his presence on the list proclaims him to be. This is a decided disadvantage. A second and also a serious disadvantage lies in the uncertainty as to the thorough desirability as customers of a merchant on such lists. No matter how carefully such lists may be prepared they inevitably include many who, while financially stable, have undesirable characteristics which may later in their selling methods in a market antagonize far more desirable importers to the extent of a practical boycott of the American manufacturer's products.

But it is not to be expected that any sales-bringing possibility can be without some disadvantages. The use of well-prepared lists and carefully written letters has proved its worth in so many cases, and properly used has so negligible a percentage of loss, that it must be recognized as an exceptionally valuable means to the rapid development of export sales. To cite an instance which is of a type by no means rare, a Philadelphia maker has, in the past ten years, without the outlay of an additional dollar in sales expense, monopolized the sale through a local dealer of the entire governmental purchases in his lines.

This dealer was interested in purchasing by a form letter—one of a series sent to 3,000 names. The profits from the one dealer's sales to his government, entirely apart from the dealer's purchases for commercial re-sale, amounted to nearly six hundred thousand dollars.

Established Principles.—The right use of lists and the right use of the series form letter in export selling form topics over which exports in wordcraft and in export merchandising delight to quibble and quarrel. But there can be no question of the basic principles involved. It pays to buy selected lists which will eliminate the unworthy and a high percentage of those otherwise undesirable. It pays to plan letter series to conform with the acknowledged fundamentals of merchandising. Each letter in a series has its definite, distinct part in the sales effort.

First of all, the series of form letters must be logical in its arrangement. It must first convince the foreign merchant that the exporter is a desirable source of supply. The second duty

of the series of letters is to convince the foreign merchant that the product is of a quality which will serve his customers and reflect credit on his ability as a purchaser. The third duty of the series of letters is to prove to the foreign merchant that he will profit from his purchase. The final duty of the series of letters is to cause the prospective customer to become an actual customer.

The Use by Veterans.—Even the experienced exporter can and does use the series form sales letter constantly. In markets to which he cannot afford to send his own salesman he can afford to send his own letters. He therefore balances his personally developed sales areas by the added volume of scattered sales in territories where sales expense prohibits the use of any other direct sales method. Market after market, small and distant, is combed fine by the series sales letter and in these the mass foundation is laid for individual appeal which becomes possible when his letters are answered.

THE PLACE OF THE ENCLOSURE IN A LETTER SERIES

The correct use of the enclosure in export sales letter series is rare. Even among the veteran exporters whose export correspondence is beyond reproach the weakness of utter failure to combine in a letter series the full possibilities of the written and the printed word is costly and amazing. This is an international fault. In fact, the few examples of the correct use in export selling of the enclosure can, fortunately, be credited to American exporters.

It is a correct generalization to state that long letters, provided they are necessarily long, will be read by foreign merchants. But it is not the truth that it is wise to handicap the attempt to open business relations with the foreign merchant by letters of four and five pages, even when the subject matter is of interest. The principle of never placing an artificial obstacle between buyer and seller applies in the case of overlong letters as in the use of an unfamiliar language.

Dividing the Task.—There is a happy medium between the use of five page letters and the omission of worthwhile selling points. This happy medium is the use of enclosures with letters. There is a world of difference between the enclosing of even an interesting circular and the use of an enclosure designed to accomplish

a definite task and to be as much a part of the selling attack as any paragraph in the letter itself. Enclosures are placed in with letters on the assumption that they will be read. If this is sound reasoning there is no reason why they should not be read in the same spirit as the letters themselves.

The first step in the building of a letter series is to determine what the key-note of each letter must be. These, as shown in the specimens given later, can advantageously be—

1. Introduction of maker to buyer
2. Quality of product
3. Profit on re-sale by buyer
4. Direct sales appeal.

The second step is to list all of the selling points which apply to each "key-note." When this carefully thought out list is complete it should be divided into selling points which can best be used in the letter and selling points which will prove most effective in the accompanying enclosure. The division into these two groups is worthy of great care. Certain types of selling arguments can be at their best only with the aid of typographical display. This is notably true of tabulations and naturally of portrayal of products.

Proving Profit to Dealer.—For example, one maker in his letter "Profit on re-sale by dealer" emphasized the annual use by consumer of his device—and then proved in his enclosure by a tabulation that his statement was correct. Had he filled his letter with figures it would have marred its appearance and lost much in smoothness in reading. By making his statement in his letter and referring to the enclosure for the proof of his startling statement he gained both in holding the reader's interest and in the display in type of the figures that would have been discouraging to the eye of the reader if in the body of the letter.

The enclosure must not be permitted merely to contain the odds and ends of selling arguments. It must in itself be a strong sales appeal. It is entirely wise for the enclosure to be entrusted with even the strongest selling points, for the letter can refer specifically to the enclosure and by appeal to the reader's curiosity and self-interest secures an equally careful reading with the letter. The use of the enclosure which complements rather than supplements the letter makes possible the use of testimonials which would be unwise on the letter. Facsimile orders, X-ray photographs of sections of machines can

be specifically referred to in the letter and prove claims that would otherwise be only assertions.

Keeping the Letter to Two Pages.—It is usual that a two-page letter with a four-page enclosure will cover all the selling appeal that a six-page letter could contain, the four pages saved by use of the enclosure are thus well saved. Entirely apart from the relief through variety, entirely apart from the greater possibilities open by use of type display and use of color in the enclosure, there are undeniably certain arguments that are more convincing in type than in the body of the letter.

The greatest handicap of the written word in selling is the relatively little emphasis that can be placed on the points which require the most emphasis. The underscore, indentation, the use of the bi-color ribbon, the use of capitalization all but exhaust the quiver. But in the printed word we have almost boundless scope for emphasis—subtle emphasis which enables an argument to be sensed almost before it is read. The cartoon is effective with only a caption. So certain illustrations convince at a glance.

The enclosure also gives the opportunity to place sales emphasis by repetition which would be offensive if made in the letter. This not only gains a cumulative value impossible or unwise in a letter not accompanied by an enclosure, but it is insurance that the reader will receive the sales message. It doubles, at least, the chance that the points of vital importance will gain the attention of the foreign merchant.

The place of the enclosure in the export letter series is an important one. Because its true value has been so little appreciated it is doubly worthy of deep study and correct use. Many of the export form letter series campaigns that have been only half successful might well have paid substantial dividends had an enclosure been used, and used to emphasize the message to the foreign merchant.

DIAGNOSIS AS THE PREDOMINANT FACTOR IN EXPORT SALES CORRESPONDENCE

One of the greatest advantages of the use of the personal salesman over any other selling method lies in the fact that the salesman can diagnose the case with which he is faced far more easily than can be done at a distance. But the task is the same. The task of the distant diagnostician is by no means impossible.

Securing Basis for Diagnosis.—Indeed the advantage which the salesman enjoys in opportunity for diagnosis after personal observation is more fancied than real in comparison with the possibilities of the writer of sales letters. Diagnosis for the export sales letter writer is difficult but by no means impossible. Even before a letter is written it is possible to secure accurate information which will enable the first letter to be based on facts of a decidedly personal nature. These facts can be secured in many ways and can be of many kinds and varieties.

But the usual opportunity for diagnosis comes with the inquiry for prices or the reply to the first sales letter written without any special diagnosis. With such a tangible and individual set of facts as must be presented by even the plainest of letterheads and the most formal of letters the work of the sales-seeking diagnostician is amazingly simplified. It does not require the gift of Sherlock Holmes to unearth from such an inquiry many facts which will make possible an accurate and personal reply based on the all but certain preferences and tastes of the inquirer.

Diagnosing from a Letter Head.—The example of an export sales letter based on sound diagnosis which follows is given here through courtesy of System. It illustrates vividly the possible difference between the best of form letters and the individual touch of the artist who capitalizes even the smallest of hints as to the best road to the acceptance of the buyer of the sales ideas of the seller. The history of this particular letter is interesting. An export manager handed to a brother export manager a letter from an importer in Brazil. The letterhead showed that the lines handled were French perfumes, English teas, Spanish raisins and Italian olive oil. The exporter wrote—

Your letterhead is a challenge to me. Ever since our common friend, R. E. Parker, of Parker & Sons, told me that if I had the right line and found you a selling connection I could depend on a steady market through your critical customers, I have been selecting and reselecting from the forty-odd lines I control, seeking the one with *the* appeal.

It is a real challenge, for you are handling the cream of the world's best lines. Your buying shows your familiarity with the leaders of every country.

In sending you the samples of Meteor locket, I am trying to match my twenty years' search for a line of solid gold jewelry which would admit no equal. Like you, I have trodden the paths that pass the most famous jewelry houses in London, Paris, Buenos, New York—wherever the height of the art would be on display. Then I have traced the best back to the factories, talked with the presidents and engravers; weighed, compared and

rejected. That is why I am selecting Meteor lockets to send you. By them you can weigh me, for they are my judgment. If your decision is against them, I have no other line to offer until I meet you in person and learn your secrets of selection.

I'm asking Mr. Parker to write you a letter of introduction for me and asking a few firms in Rio and Bahia to tell you whether or not they have found my lines and service profitable.

That brings up one further topic—prices. They are, as you will recognize, the right prices for the line. If my judgment is wrong on this, no argument would stand against your experience.

Just a little favor which will be appreciated. Do you chance to know whether the olive oils of P. Clerici et Cie. are exclusively handled in this country? While the name is a familiar one with me, I cannot remember their city, and so enclose a stamped envelope with the extra reis to cover any circular of theirs you may be able to spare me.

With the compliments of the season, I am,

Sincerely,

This letter will appeal to every business man who enjoys the selling instinct by the clean-cut way in which its writer created a common point of interest, brought the issue at once to a personal issue and gained in the very first sentence an exclusively personal background for the entire letter. It illustrates one way to get away from the cut-and-dried sales talks which are still too common both in export and domestic mails.

Diagnosis is the predominant factor behind good export sales letters. It is the equalizer of values in sales weapons. It is the destroyer of the disadvantages of distance.

In reading the excellent sales letter which follows, it is well to note the respect for the customer's point of view which is religiously observed. The unobtrusive use of idioms, figures of speech, peculiarities of spelling, appeals to the reader's pride and taste. The care makes certain that the reader will know that this is an *individual* letter, written especially to him and solely for his perusal. It reveals carefulness and precision. It contains the essence of true courtesy.

24th January, 1915.

Messrs. Hilliard Bros. & Co., Ltd.,
716 Collins Street,
Melbourne, Vic.

Dear Sirs:

I would appreciate the favour of your examination of the samples of Meteor lockets, which are going on, duty paid, by this post.

If you will shew these to some of your customers who enjoy good craftsmanship, I would be doubly grateful for their comments.



FIG. 9. Laughing luxuries to Luxembourg. The Mennen Company uses this method of delivering its talcs and creams overseas. Note Jim Henry in the foreground.

It has not been my good fortune to visit Melbourne since 1908, and in my five trips I never chanced to represent any jewelry lines. This I certainly regret now, for with your many years of experience in Melbourne in the jewelry line, a personal acquaintance would make me feel that I was not imposing on your good nature in my queries.

It would naturally be a pleasure to me to find that the lockets will appeal to you as something worth selling, and the attached sheet will give prices, terms and all shipping details, arranged to shew you the per cent laid down on several other lines as well.

Are you by any chance allied with Messrs. Hilliard & Sons, Ltd., of Glasgow? If so, possibly advantageous shipping arrangements could be made through my Glasgow connections.

Yours faithfully,
JAMES M. JONES.

Copied.

Ten points of distinction characterize this letter and helped instil the subconscious feeling in Messrs. Hilliard & Co., Ltd., that they could depend on James M. Jones: (1) 24th January, 1915; (2) Messrs. (too often omitted); (3) favour; (4) by this post; (5) shew; (6) shew the per cent laid down; (7) Glasgow, (not Glasgow, Scotland); (8) Yours faithfully; (9) Copied; and (10) the follow copy which went to Messrs. Hilliard & Co., Ltd., on the next boat.

It would be mere snobbery to use any of these points of distinction conspicuously. The important fact here is that they were used without ostentation and that they were substituted for words which by their awkwardness to the foreign reader would distract his attention from the straight consecutive reading of the message.

LETTERS THAT BUILD UP GOODWILL

The good exporter seeks every opportunity to write to his customers. He purposely does not use printed forms of acknowledgment of orders and remittances because the occasions on which these printed forms could be used are golden chances to aid in the bringing of more intimate relations. But the good exporter is often without valid excuse for writing. He realizes that if all his letters are sales letters in the usual sense of the word that he may rightly be censured for the bad fault of over-solicitation of orders.

There is, too, an important part of exporting which consists in the creating of friendship for its own enjoyment. This friend-

ship is the breath of life to true exporting which is not merely the amassing of dollars but the gaining of friends. The man who attempts to divorce his social and his business enjoyments usually ends by losing a part of his enjoyment of life.

The "Intermediate Letters."—For this reason the good exporter who enjoys both his earned profits and his friendship, both gained in his ventures into foreign fields, learns to regard his customers as partners and learns to direct his correspondence along lines of friendship. This brings into being a type of correspondence which can be called "intermediate letters," in that they do not refer to any definite transactions, nor are they purely social in their nature. It is a poor friend who does not wire or write when the cable tells of a national disaster such as an earthquake, tidal wave or volcanic disturbance. It is a poor friend that has not a word of sympathy and condolence for the loss of a partner or member of the family. Just as a friend engaged in mercantile pursuits welcomes the "inside" story behind a new product, welcomes the portrayal of exceptional stories of salesmanship, so the foreign merchant welcomes letters which tell him of just these cross-sections of business life.

The plans for a campaign in India and the history of its progress are interesting to the merchant in Iceland. Photographs showing unusual methods of transportation of a maker's products appeal to the merchant who is selling these products under a different sun. Advance information of reorganization, souvenirs of house-warmings and company outings and entertainments all bring maker and merchant closer together and better able to coördinate their efforts.

The New Year's Greeting.—The New Year's Greeting is really a letter—a printed letter of appreciation and good wishes. It is a little thoughtful touch. It is far more deeply appreciated abroad than is generally known. It is typical of the exact spirit which should be the very foundation of all export correspondence when it says, "——wishes you every happiness and prosperity——", and takes advantage of this opportunity to convey to you the sincere appreciation of favors shown in the past."

For behind every export letter should be the desire for friendship and a recognition of friendship. Profits will follow because profits are the dividends of honest and able friendships.

CHAPTER XVI

HOW ADVERTISING GETS FOREIGN TRADE

"Advertising is as necessary to the successful conduct of export trade as it is in the domestic field."—Philip B. Kennedy.

Superiority of American Advertising Methods in Domestic Field. Need of Greater Interest, by Americans, in Export Advertising. Examples of Poor Advertising and Unwise Delegation of Advertising Authority. Twenty-two Ways to Use Export Advertising. Need of Definite Advertising Plan Behind Every Dollar Invested. Costly Errors of American Export Advertisers. Advertising Used to Secure Orders through Export Commission Houses. How an Export Salesman Secured Needed Appropriations for Local Advertising. Publicity Method Used by European Maker. Export Advertising not a Matter of Freakishness. Fraudulent Advertising Schemes. Common Mistakes in Export Advertising.

It is universally conceded that there is no better advertiser in the world than the American—when the test is made on the basis of domestic effort. The Austrian, the Brazilian, the South African are often subscribers to popular and trade magazines published in this country, and in many cases subscribers in truth to the advertising sections only.

If the average American manufacturer is not branded a tyro in international advertising endeavor it is because he is not called upon to meet a standard as high as that set here by domestic competition or because of the courtesy of the better business men in foreign countries.

Domestic High Standards Lowered.—Too many firms take the deficit-producing attitude that "anything is good enough for export"—and reap exactly the harvest which might be expected. Not long ago, the export manager of a leading American textile concern felt insulted when he heard his export advertising described as inferior. The proof was so complete, however, that he reformed his firm's attitude; for where in this country they were using most elaborate designs of really artistic merit in a dozen trade papers, in the foreign field their advertisements were pure type set-ups and poorly selected.

It did not cost this firm a dollar more to transfer their foreign advertisements to the more attractive layout. The plates were

worthless after use in domestic mediums, except for export advertising, and only criminal inertia had prevented their profitable employment in making foreign dividends.

Value of Coöperation.—Many export managers have still to make the business acquaintance of the advertising managers of their own enterprises. Because "export is export," some export managers (unworthy of the title) insist that they alone can know what kind of copy and display will bring results outside the United States. Sometimes perverted fortune smiles on their ilk which enables them to point out phrases which would be actually offensive to the Latin-American dealer, in the otherwise carefully-prepared suggestions of excellent advertising managers. But if to the advertising man's craft had been added the intimate market knowledge of the export end, obviously more compelling series of advertisements would have resulted.

A few export advertising atrocities are presented, in the hope that their display may prevent further costly failures of similar nature. A successful Pennsylvania manufacturer of knitted goods was interested in the foreign field by the intelligent persistence of three export trade publications published in this country. The conversion was complete—so much so that the manufacturer rushed a special double-page layout in order to secure immediate insertion. In addition to several most questionable sales arguments (questionable in the light of the markets the mediums reached) one single error made clear to every reader that they would, in ordering, be at the mercy of an export novice, for bold and brazen were the terms, "2 per cent 10 days date of invoice"—something that not 1 per cent of the readers could have accepted. The average export invoice would be hardly out in mid-ocean in 10 days' time!

Coördinated Effort the Key.—Were it not for the assurance of those high up in export advertising circles, it would seem incredible that any alert American firm would permit either the export or advertising department to have sole sway over the actual presentation of sales arguments by the printed-word route to foreign dividends, unless the same executive controlled both, and felt assured of the entire competency of one of the two. It is not in the least uncommon, however, in industries in which domestic business is carried on along highly practical lines, to allow the advertising manager to contract for space in foreign mediums even against the advice of the export end, and for the export end

to clothe excellent selling arguments in the most amusing of amateurish typographical garb.

Not long ago, a high-priced motor car, for which beautifully presented domestic copy suggests exclusiveness and all the dignity which must be assumed with the price it commands, commenced advertising in foreign mediums. Because it was "an export proposition" the foreign sales manager insisted on writing the copy and making the layout. The result was a closely crowded type page with a small cut of the car itself—and yards and yards of specifications.

An Export Advertising Tragedy.—The tragedy came when the first issues bearing the advertisement appeared. In the same section, and in several cases on the opposite page, appeared the advertisement of a car priced at one-third their list, illustrated far more attractively, and whose skeleton specifications *seemed* almost a duplicate of the \$6,000 car. Any sane buyer at equal price, and judging solely by the two advertisements, would be forced to select the \$1,950 car, and when he made a price comparison was bound to feel indignant or amused at the audacity of the higher-priced motor car maker.

SURFACE DIFFERENCES

Fundamentally, the sales forces which have existed for centuries are identical here or abroad. With the natural loss in personality which comes as we step down the ladder from the spoken word to the written word and the printed word, increased care is essential to maintain a profitable standard of effectiveness. Surface differences which exist in every market of the world must be understood that the message be presented in a form which will create favorable attention, not ignored to become vast chasms too great for any sales argument to bridge. It is not difficult to see that if to a failure to understand the nature of the prospective customer be added slovenly or crude presentation, any export advertising effort is self-doomed.

Costly Pride.—There is one large New York corporation (both self-sufficient and self-satisfied) which is literally pouring several thousand dollars yearly down a spout which has no end—and charging it up to "export expense." Their error is the childishness of self-conceit, for they use space, valuable in its potentiality, in a mere statement of their name, address and

cable address, not indicating in any way the nature of the line of business!

They have rebuffed the very proprietors of the mediums in which their "card" appears saying, "It is beneath our dignity to explain who we are; if they do not know who we are they are too ignorant a class for us to care to reach." Yet these very mediums reach market after market wherein their goods have never been seen!

Sheer laziness is a more common cause of the "business card" which is over-prevalent in foreign newspapers as well as magazines. It *does* require brains to make a 4-inch single-column advertisement carry a real sales appeal, but it is not an impossibility. Let us apply a common sense test. What American manufacturer would fail to discharge a salesman who spent fifty or even twenty dollar's worth of his time in visiting a possible foreign buyer—and merely saying in measured intervals, "I represent the Jones Manufacturing Co.—we make shirtings,"—and then walking out!

The "Business Card."—The only excuse (if there is one) for the "business card" here or at home is to keep a firm's name in mind. As used in the foreign trade it seems to be the pet of the maker who has still to make his name known. To satisfy themselves that such a use of space was criminal, the publishers of an export journal ran two quarter-pages side by side, one giving the name of a novelty manufacturer, the other an illustration of a single item, attractively displayed. The first advertisement drew three worthwhile inquiries, the latter \$1,200 in orders.

TWENTY-TWO METHODS OF USING EXPORT ADVERTISING

It is perfectly fair to compare the "one club player" at golf to the business man who employs exactly the same advertising copy in foreign fields under such varying requirements as:

1. Introducing his firm and brands
2. Creating trade demand
3. Creating consumer demand
4. Introducing a product for which no demand exists
5. Meeting existing competition
6. Securing direct orders
7. Securing orders indirectly through export commission houses
8. Preparing the ground for a salesman's visit
9. Preceding a mail campaign

10. Paving the way for a sampling campaign
11. Announcing local agencies
12. Explaining change in prices
13. Reasons for change in policy
14. Creating demand for an article of which the advertiser's product is only a part or attachment
15. Creating demand for completed articles in order to create demand for branded materials.
16. Securing local information before creating an agency or opening a branch house or branch factory
17. Attracting public opinion to a public need
18. Correcting a trade or public abuse
19. Counter-acting existing ill will
20. Disposing of stock on consignment
21. Directing public attention to pirated trademarks or patents
22. Meeting an emergency.

Every real exporter has faced the necessity of using every effort to meet all of these situations, and it is fair to state that in personal touch through his salesmen or correspondence that the great majority have shown their capabilities by making the manner of their handling entirely in accord with the demands. It would be a most palpable untruth to compliment more than a dozen on the intelligence with which they have used export advertising to work hand-in-glove with their other efforts.

The Fundamental Plan.—There should be a definite plan behind every dollar invested in foreign advertising. If the export efforts of a company must be confined solely to advertising appeal it must shoulder the entire burden of creating and maintaining sales. If the advertising is to follow up an aggressive local campaign combining very possibly the concerted efforts of salesman and agent, sampling and direct advertising by means of circulars, bulletins and letters, then surely the follow-up should capitalize the lessons of the campaign, bolster up its known defects, intensify its strong points and be designed to act very definitely in bringing together all sales elements.

And yet—back in 1910, before, during and after a driving campaign in Rio, involving a crew of salesmen and a flood of literature, the local dailies carried the same stale copy, unchanged since a contract made six years before!

Consistency Is a Jewel.—In 1912 a local pirate (such as may exist in Calcutta or Chicago) imitated the brand of a standard line of toilet articles. The American maker expended nearly two thousand dollars in legal investigation and prosecution of a

penniless adventurer, warned dealers against handling the line, and ran with regularity every other Saturday the same familiar advertisement portraying an abandoned line. It is not comedy—no waste of business money is other than a tragedy—a degrading spectacle for youth and old age alike.

All business men are familiar with the new advertiser who had been convinced that he must buy space for publicity in order to enjoy the same prosperity as his advertising competitor. We all know his indignant surprise when it is suggested that to the expense of white space he pay the price for brains to employ that same space intelligently. The same condition arises constantly when the scene is shifted from domestic to foreign fields—he refuses to pay the price of time spent in brain work to make his export advertising a worthy adjunct to his other forms of merchandising.

Let it be put down as an absolute rule that not a dollar should be spent in export advertising without a definite object. Let it be definitely stated as a twin truth that, unless the advertising is so planned, it has not even a fighting chance of accomplishing its object.

The Advertising Manager's Recommendation.—In 1912, in Philadelphia, a conference of department heads was held, to see where additional sales volume could be created and profits made. A plant capable of turning out 15 per cent more goods at a fraction of a per cent greater overhead furnished a real problem. To every suggestion that an export trade be sought there was a sound reason for refusal, so far as the then present was concerned. Finally the advertising manager, fresh from an interview with a particularly well-informed representative of an export journal, furnished the solution.

“There are in New York,” he offered, “a group of business interests known as export houses, commission houses, or exporters and importers. These are really resident buyers for foreign merchants. Some have their own branch houses in foreign countries; others employ traveling salesmen or support agencies. This type of buyer buys f.o.b. New York and discounts in ten days. Many are rated in the million-plus class.

“Even granted that we cannot at present spare time to convince these buying agents that they could profit from handling our lines, or by diverting a single salesman to any of the countries from which they receive orders, I ask, and honestly put it in the

form of a question, is there any reason why *by advertising only* we cannot induce foreign merchants to order our lines through them?"

A Modest Appropriation.—His company appropriated \$2,000 for the experiment, which might well have followed the thousands lost in export space buying instead of copying the tens of thousands gained, but for the fact that it was expended along the lines of an intelligent plan.

The manufacturer was not in a position to assume the investigation of foreign credits, the determination of the many details of foreign trade, but he was willing to seek advice and follow orders, even while realizing that by indirect dealing with the outside business world they naturally forfeited some of the possibilities open to those who personally could cultivate direct relations.

As a result, this appropriation was spent to secure orders through export commission houses; direct orders were all but rendered impossible, and such as were received were referred to commission houses. Six months passed without even indications of more than passing interest. Then the tide turned, and the carefully prepared and presented sales talk via the printed page began to bring in orders.

Expanding When Profits Come.—The appropriation was doubled and well within two years the manufacturer had 10 of the 15 per cent surplus manufacturing capacity steadily at work on foreign business. Their experience was exceptional—but the intelligence of their advertising was equally exceptional, and their reward not out of proportion to their skill in digging out their real problem, deciding on a means to solve it and then shaping the means in a master-like manner to the known end.

Because of the seeming difficulty of knowing that money invested in local advertising in foreign markets is on the same sane basis demanded here at home, a number of firms absolutely refuse to spend any part of their export funds in other than sales effort by their salesmen, in correspondence or in export journals published in this country whose rates and circulation are a matter of record.

A Salesman's Plan.—A rather amusing experience came to one of this type last December when one of their veteran salesmen, well known to be highly skeptical of the power of foreign dailies, met a critical situation in Cape Town. His firm received

a cable reading, "Urgent necessity four hundred pounds introductory work. Big chance displace Untermyer (*a large German competitor*). Details impossible. Wire approval."

With every confidence in the salesman's ability to cash in on the opportunity, they cabled the requested authority, and were rewarded a month later by a record volume of cabled orders. Even the president was more than mildly interested to know the particular ways and means by which the veteran had accomplished such wonders, and his mail confirmations and explanatory letter were impatiently awaited. To everyone's surprise, the orders were not accompanied by any special reference to the emergency and the ways and means by which it had been met. Even the bi-monthly expense report when received failed to reveal the secret in the simple entry: "Introductory expense—\$1,867.87." The president made occasion to write a personal letter, and in congratulating the salesman expressed a mild interest in the details of the campaign, but this evoked only a pleasing acknowledgment devoid of the sought-for secret. When a second cable, this time from Bombay, was received. "Wire authority introductory expense four hundred fifty pounds. Bigger chance than Cape Town," they wasted no time in making an affirmative answer, and writing frankly for full details.

Meeting a Difficult Condition.—The answer was absurdly simple. The veteran had run into a hot bed of anti-American feeling, a wonderful chance to displace a formidable rival, and a kindly Fortune had made him intimate with an American advertising manager of great experience who had converted him overnight. This good friend and advisor handled all the details of a most effective newspaper campaign and literally worked nights to make it make good.

The veteran knew that his firm would "mortgage the factory" to back his judgment on any sales proposition, but that nothing but a long fight by mail would get them to change their stand regarding newspaper advertising in a foreign country.

There is no firm which over-values an employee who assumes unnecessary authority, and no firm but appreciates the men who, when faced with a real emergency, combine initiative and ability in a successful solution.

CONTESTING ESTABLISHED COMPETITION

A rather striking incident in one of the largest of England's

Colonial dependencies a number of years ago bears out this statement.

In this market a well-known Scotch whisky all but monopolized demand. A capable business man, thoroughly familiar with the territory involved, and by years of residence and political affiliations able to decide on its possibilities, decided to contest the market with the long-established brand. His offer to the competitor's resident agent that they work hand in glove was refused with amusement for his audacity, as he anticipated, and he cabled his makers, "Must resign agency unless you assume credit risks six months time, advance duty payments expend six hundred pounds local advertising. If accede promise big future." To this cable came the laconic, "All agreeable, good luck."

The Lime Light of Publicity.—The first step this far-seeing agent took was to have local ordinances passed prohibiting posting bills on public property under penalty of a £100 fine; the next, to plaster the leading cities with his huge posters bearing only two words, the maker's name and "Scotch." He employed two hundred men on that historic night. Through his political friends he was given a most vindictive trial, so much so that public opinion reacted in his favor, while the police were ordered to remove the posters, a sight which caused huge crowds to congregate to watch their more or less futile efforts. Needless to state, this spectacular stunt was productive of publicity far in excess of the amount it cost. Just as the last of the "scandal" was dying out, this agent fired another bomb shell when the curtain of the leading theatre in C—was lifted disclosing a second curtain with the same two "mystic" words.

The more than ripple of conversation thus caused was nothing to the outburst when in the second act of the famous play the maid whose part called for a silent entrance with a tray, bottle and glasses, advanced, saying: "You must have a glass of—Scotch!"

Having carefully arranged with the manager of the theatre for an unknown surprise, the agent was in a position to secure reaction from the first unfavorable comments by a disclaimer, and the manager cleared himself by calling it (as it really was) a practical joke on the agent who was entertaining a select social party in a box.

Kahler's Definition of Advertising.—But export advertising

in its every-day role is not one of sensational stunts or dramatic surprises; it is like any other sales force, of cumulative value if intelligence is used in its employment. Hugh Kahler has defined advertising as: "A force which makes your goods less apt to be refused when offered," and certainly this seemingly negative description has a particularly valuable application to export advertising.

It is quite commonly asserted that no export traveler can make expenses on his first trip. This is an exaggeration based on the fact that no salesman without the coöperation of his house can hope to be nearly so good in sales totals when the burden of introducing the firm, the product and the brand is added to his real work of selling goods. Export advertising is an excellent way to help remove the necessity for the salesman in bearing such an unfair burden. Whether it be in San Francisco or San Fernandez, a merchant or user feels entirely different towards a product which he has never tried but has seen advertised persistently, than towards the unknown of unknown parentage. It is, therefore, not too much to claim that the export advertising which only "makes your goods less apt to be refused when offered" should be credited with the expense of the first "get acquainted" trip it renders unnecessary.

Helping the Export Salesman.—One striking campaign of this nature preceded the visit to every Latin American republic of two salesmen from a Middle Western maker of fire extinguishing apparatus. Instead of a careless use of space, each advertisement featured the trip, and by use of four-color inserts gave the itinerary and thumb-nail photographs of both salesmen. The slogan used was, "If we didn't know the —— was right we could not afford to make this offer." The guarantee referred to involved deposits in each large city and outlined the demonstrations which were the salesmen's greatest arguments.

Each month the copy was changed, but in every case emphasis was laid on the coming of the salesman, while as the trips progressed photographs of orders taken and testimonials were adroitly introduced as proof positive that dealers would not be wasting time in giving them every attention or taking undue risks in ordering in advance of the demand the salesmen were shown as creating for dealers in other cities who were carrying stock before their arrival.

Securing Advance Distribution.—It should not be taken for

granted that export advertising as a means for preparing a field for later conquest by salesmen should be left until the last moment, or that it is money saved to delay in preparing the soil for the seed. Very often it is of greatest importance to have the framework for development in partial distribution, so that the salesman on reaching a city has a skeleton design in the form of a dealer carrying a modest stock and consumers who can be used as reference. It is perfectly possible to build up this far by intelligent advertising, for there is, for example, even in a trade publication a very large percentage of consumer readers, thus making it possible to reach both classes at the expense of a single campaign.

The maker of paints will find that in any foreign publication, or export journal published in the United States, a very small number of subscribers who can handle his product for re-sale compared to the vast audience who are interested in paints for use; while in case of a food product every reader is a potential consumer. The wise export advertiser, therefore, plans to balance his appeal so that he will reach both classes and draw inquiries from both. To him it becomes an art to turn a consumer inquiry into a dealer order, often using the argument of created demand with the dealer and using the consumer inquirer as a reference as to quality.

In the case of a well known New Jersey maker of phonographs it has often been said that the profit from such "turn over" inquiries from users pays for their entire export expense, and their advertising is often directed at the ultimate purchaser, even knowing that any order received must be placed through some dealer, often no easy task to find in their earlier years of foreign sales!

"Blue Sky" Projects.—The same brand of domestic common sense that protects the cash box against "blue sky" advertising projects here at home must be on guard toward similar fraudulent or over-enthusiastic schemes aimed toward securing foreign sales by mystic methods. One Louisiana firm which has a demonstrably advertisible product for home markets, but which never uses space here at home, paid out over a thousand dollars on an "illustrated lecture" fraud whose route included cities 1,000 miles from any sane routing. One wonders whether the contract was secured by chloroform or pistol! One shamefaced president of a large shoe concern sidled into the offices of an

export organization not long ago and in a meek voice inquired, "Do you know of the —International Advertising and Distributing Company?" He was told that they were out-and-out fakirs, and fugitives from justice. "And it's my money that they're 'fugiting' on!" he commented. As he expressed it, "They told me such a beautiful story I could actually see monkeys coming out of the cocoanut trees to buy 'Armor Plate' Shoes."

Selling goods by export advertising is both an art and a science. It calls for common sense, and with common sense, ends in profits. There are even in the infancy stage of American exporting, manufacturers who have records of forty years' advertising in foreign fields. Ask them if it pays!

COMMON MISTAKES IN EXPORT ADVERTISING

One Indiana manufacturer who has been exporting for over forty years and who has been a consistent export advertiser confessed to the waste of many thousands of dollars in his foreign publicity. This has not been due to fraud or to the fault of the media used. It has been due solely to a failure to establish a sound basis for export advertising copy.

He quite unconsciously permitted the trend of domestic competition to influence his foreign copy; because his near-by rival was bringing out close copies of his latest novelty he did not differentiate between domestic and foreign mediums. So he hammered away with "Beware of imitations" advertising campaign abroad where his rival's goods were not known. This forced to the attention of importers abroad the fact that novelties similar in character could be obtained from another source.

Taking Too Much for Granted.—Another mistake which has been made many times and which is to be found in a great majority of all exporting manufacturers' advertising has been too much prominence to some minor improvement instead of "playing up" the inherent advantages of the product itself. The reason for the prevalence of this type of error is that too much is taken for granted. American manufacturers forget that what may be a staple here may be a novelty to the foreign buyer. Exporters also fail to remember that the success of the very article or line in question was due to the very thorough

groundwork which accompanied its domestic introduction. It is a safe statement that any product, in its first introduction to the foreign buyer by any user of printer's ink, should be explained from a standpoint which makes the reader familiar with its reason for being, not from a viewpoint so narrow as to allow a side issue to obscure its real worth.

Care in Selection of Appeal.—A striking example of this very fault is so recent that it proves this statement. A medium-priced automobile that enjoyed an extensive sale here in the United States found last year that a competitor at a price \$150 less than theirs had practically duplicated every point which had made their car the leader in its class. To meet this dangerous competition they searched for every little superiority and focused their domestic advertising on these minor points. At the same time, they began to take a healthy interest in export trade, and used a number of excellent mediums with full pages and back covers which should have brought pleasing results. While the campaign was not a flat failure, it was decidedly unprofitable. The blame can be placed squarely on the copy which made the car seem to be merely a combination of a patent windshield, moulded steel fenders and an unusual electric tail lamp, instead of a reliable, well-motored, up-to-date car (which it really was) at a very moderate price. The criminal part of it all comes in the fact that their rival was absolutely unknown abroad so that they were fighting their own shadow with a feather duster, instead of fighting for really worthwhile markets with the heavy artillery of real worth.

Adapting Copy to Its Task.—In several of the export journals reaching Latin American countries is a series of full-page advertisements of a machine far superior to any made outside this country and which is capable of cutting in half the cost of a certain part of the manufacture of men's clothes as against present South American practice. It is conservative to say that the pulling power of the space is only 10 per cent of its possibilities, solely because it is running "Safety first!" text in place of pointing out that the machine will pay for itself in three months, and pay handsome dividends in even the smaller establishments. It seems incredible that alert business men entrusted with spending foreign advertising appropriations running to five figures, should choose to feature the little hand-guard, which appeals chiefly to the operative instead of the worth of the investment

which will create a real buying impulse in the man by whom their message is read.

The point that too many export advertisers overlook is the imperative necessity of getting the reader's viewpoint. In the United States it is seldom necessary to give this the same care. In many lines the viewpoint of the maker and his possible clientele in the domestic market is nearly identical. The points which appeal to one naturally appeal to the other. Both are well aware of competitive offerings. Therefore, a real necessity exists in domestic markets for turning to some minor "talking point" to find something to feature which the competitor's product does not possess. But until the same competitive condition exists abroad the playing up of *differences* should certainly be subordinated to the best possible presentation of the *essentials*.

The Position of the Importer Abroad.—The export advertiser who places himself in the position of the foreign buyer, as we assume him to be, may misjudge him. But certainly we shall not make ourselves as ridiculous as the American hosiery maker previously mentioned, who used an export medium reaching only English-speaking foreign countries, yet mentioned a 2 per cent ten days date of invoice cash discount. This at best could only be accepted by Bermudans, while it certainly would offend the careful importers in Australia.

These little points of out-and-out error are taken by serious houses abroad as typical of the export understanding of the advertiser. The importer abroad rightly feels very much disinclined to entrust to the tender mercies of such a maker shipments involving a real understanding of consular invoices and customs classifications. These are indications of carelessness and ignorance which might well cause the importer vexatious fines and delays. He distrusts advertisers who spend money on advertising 2 per cent ten days cash discount terms.

Examples of Wasted Publicity.—Another atrocity was the advertisement of an Ohio patent medicine. This novice in exporting for several months ran a quarter-page cut of its package adorned with labels in English and the dominant, "Use it all the year!" in Spanish, below. It is safe to say that not one reader in one-hundred could even guess at the nature of the product. Another case along the same line came from a firm which was willing to spend \$1,200 a year in one Spanish medium, but unwilling, despite the magazine's request, to spend \$50 to have their cuts

(which were large and embellished with their English slogan) made intelligible to the reader.

A motorboat company which had relied on a quarter-page in an export journal, with only a small cut of their boat (using the space as a business card) were induced to use the major portion of the space for a cut of the boat in action. New text emphasized its moderate price and the maker's name. This brought consumer orders and dealer inquiries from cities which had never been considered as prospects for motorboats. It developed a wonderful new market from which over \$50,000 was taken in a year, in addition to decidedly greater sales in known territory.

Class of Readers Reached.—A most common mistake of advertisers new to the export field comes from failure to investigate the classes which the various publications reach. Without careful study of the class distribution it has been the common fault to use a "farmer-consumer" publication for a "machinery-dealer" product.

One nationally-advertised line of shoes made the fatal error of indiscriminate use of strong dealer copy in all their export mediums, with the result that consumers quite naturally refused to buy a line that persistently harped on the profit which dealers made and showed clearly that the retail price was inflated. In another case a Massachusetts patent medicine house lost an opportunity for large sales by using copy in an export paper that specializes on the wholesale and retail drug trade, which appealed to merchants to use their elixir instead of to sell it.

The common mistakes in export advertising are due to gross carelessness; failure to realize that common sense will solve any export problem, and an unwillingness to put into the export field the keen analysis and persistent investigating power which are responsible for domestic success.

CHAPTER XVII

INDIRECT EXPORTING

"The man who denies that inherent advantages exist in connection with indirect exporting forgets the past of America's foreign trade, is not familiar with its present and lacks vision of its future."
—John Chapman.

Channels of Indirect Exporting. Functions of the Export Merchant. What Is an Export Commission House? The Field of the Manufacturers' Agent Resident Abroad. The Hybridization Process. Overlapping Activities. Unjust Accusations Against Export Commission Houses Refuted. Early History of American Exporting. Distrust Gradually Vanishing. Peculiar Advantages of Indirect Exporting. Why Veteran Manufacturing Exporters Use Export Houses.

Indirect selling is selling done through some agency which assumes the responsibility of the selling, and shares to a certain extent in the profit. This is usually some house having headquarters at seaboard and catering to some distant field.

Confusion in Nomenclature.—"Export commission houses" is used in general parlance to describe any house that acts as a middle-man between the American manufacturer and the foreign customer. This is not strictly correct. There are three types of organizations that enter into what is commonly called "indirect exporting." They are: The export merchant, the export commission house, and the manufacturers' agent located on the American seaboard. Theoretically, these three types are entirely distinct one from another.

The Export Merchant.—The export merchant buys goods in this country and sells them abroad; frequently he combines importing with exporting and buys goods abroad and sells them in this country. He is closely related to the old New England ship-owner who loaded his boats with the products of New England, sent them to a foreign land and brought back the products of the foreign land. In many cases the export merchant does much of his business in the form of barter. The export merchant buys and sells goods on his own account, taking as his profit the difference between the purchasing price plus the expenses of handling, and the sales price.

The Function of the Export Commission House.—The second type is the export commission house. The commission house, theoretically, does not buy or sell on its own account, but handles goods on a commission basis; in fact, most of its business is supposed to be of an indent nature—that is, orders placed by buyers abroad. The commission house is not, in theory, supposed to go abroad for the purpose of selling American products. It is supposed to receive from those foreign customers or clients, with whom its connections are very intimate, indents or orders for American goods. Then it scouts around in this country to find some manufacturer able to supply just what is wanted, at a price that will be satisfactory to the buyer. The primary commission house interest is in the welfare of the foreign purchaser who pays the commission house for its services. For the natural function of the export commission house is to act as a purchasing agent for its foreign clients and is not supposed to be interested in developing a foreign demand for any particular line of American goods. Since it is paid in the form of a buyer's commission from the foreign customer, in theory it acts exclusively for the importer abroad.

How the Manufacturer's Agent Operates.—The third group includes the manufacturer's agent, which is similar to the commission house, except that instead of being closely connected with the buyer abroad it is theoretically the agent for the American manufacturer; and after taking the exclusive selling rights for a manufacturer's line, a manufacturer's agent is supposed to go into a foreign country with a line of samples and secure orders from the dealers, collecting a commission from the manufacturer, not from the buyer, as the commission house does. The manufacturer's agent is interested in marketing abroad particular lines for which he has taken the agency, usually the exclusive agency, in certain territories. A commission is paid by the manufacturers whose goods he handles. He distributes his goods through the efforts of his salesmen whom he puts into foreign countries to call upon prospects and secure orders, just as domestic salesmen do in this country.

Imaginary Boundaries.—There are then, the merchant who buys and sells on his own account, the export commission house whose function it is to buy what the client wants, and the manufacturer's agent, whose function it is to sell what the manufacturer produces. The distinction is largely imaginary. Many

houses that belonged originally to one of these three groups have entered all three fields. We find commission merchants not only buying and selling on their own account, but if they have not merchandise which some foreign dealer needs, they are willing to accept an indent and secure the goods for a commission, just as a commission house would do. On the other hand, if the commission merchant finds a manufacturer making some article for which he believes there is a demand, he is not averse to accepting the agency for that article and instructing his representatives abroad to go out with samples and push the sale of it.

Activities of the Export Commission House.—A commission house does not confine itself always to exacting commission from foreign buyers. If it has sufficient capital idle and sees a particularly good investment in some staple article, it is likely to invest in that article and sell the goods abroad on its own account, taking the profit. Also, the commission house may go outside its function as the representative of the importer abroad and act as an agent for a manufacturer, if the maker's line is one that might be expected to meet with a ready sale. Similarly, a manufacturer's agent occasionally acts as an export merchant and frequently as a commission house.

Thus, while it is very important to keep these three groups distinct in one's mind, it is likewise important to remember that we find them invading one another's field to such an extent that it is difficult at times to determine the exact nature of the export house.

Unfair Criticisms of Export Houses.—There have been many accusations brought against commission houses, using the term loosely now to cover all three classifications. They have been represented as strangling American export trade and cheating the American manufacturer out of a large part of his legitimate profit and adding to the cost of merchandise. A sufficient answer to that is, that if this were the practice the commission house would soon cease to exist, because foreign buyers are good business men and would not trade with an agency which added to the expense without rendering any commensurate service. American manufacturers are good business men. They would not, year after year, yield up a part of their profit unless there were good reasons for so doing.

The Commission House as a Pioneer.—The commission houses went into the foreign field in advance of the American

manufacturer. They found customers that the American manufacturer could not find. On the strength of their own reputation in foreign lands they marketed goods whose brands and quality were unknown. They were pioneers and missionaries, as far as the development of foreign trade is concerned. Even when that stage was passed in many countries, they continued to press on into new fields. In old markets they financed transactions with dealers when the manufacturer was afraid of the credit risk. They helped American manufacturers competing with foreign houses by giving long credits to the customers and at the same time giving the American manufacturer cash in New York—which he has too often demanded.

The Tremendous National Value of the Export Commission House.—Export commission houses have been an almost inestimable factor in developing the foreign trade of the United States. They still teach, in many cases, the American manufacturer how to pack for export. Their orders contain minutest instructions for packing and invoicing. They consolidate at the port of shipment small consignments from a number of manufacturers, making a large consignment which could be shipped abroad at an economical rate. They quote c.i.f. prices to customers who would not buy on any other basis. They took the export market as they found it, and they have met the conditions and difficulties that it has presented in a way that the average manufacturer has not been able to do. They have financed the foreign trade of America to a surprising extent. The frozen credits which were in the hands of the New York commission houses following the World War, reached a stupendous total. It was only because these houses were so big and strong and had the confidence of the banks, that a serious blow to American trade was averted.

Dangers Arising from Small Profit Margins.—In many instances the commission houses are trying to do business on too small a margin of profit, and they are constantly confronted with the temptation, and in many instances with the necessity, of increasing their profits. This leads to unwise practices. For it is not good business, and it certainly is not good ethics, for a house to collect a commission from both the buyer and the seller for the same service. It is not sound for a commission house to come before the manufacturer as a manufacturer's agent, and come before the buyer as an indent house. It is doubtful ethics

for a commission house to ask a manufacturer for the exclusive selling rights for his line in a certain territory, and then sell competitive products in that territory. The export manager who makes a connection with an export merchant or an export commission house, or a manufacturers' agent, should make a careful investigation of the house—an investigation that should be much more far-reaching than the ordinary credit investigation. He should draw a most careful agreement with that house as to the effort that it is to put forth in marketing his goods. He should not be contented with the threadbare remark, "It is to our interest as well as yours that these goods should be sold in large quantities, and you can depend upon us to push them."

True Coöperation.—One stipulation that should be insisted upon in all agencies is, that when the importer abroad is identified only by the shipping mark, the manufacturer shall know in every instance the name and address of the consignee. More than that, he shall have the privilege of corresponding with him and of soliciting further and larger orders through the commission house, and of sending him sales helps and suggestions regarding his advertising. Any agreement which does not include this is prejudicial to the manufacturer.

ADVANTAGES OF INDIRECT EXPORTING

The particular advantages in indirect exporting include the eliminating of all credit risk to the manufacturer, provided, of course, that the export house is sound financially. This, to a manufacturer of some small specialty, is an important factor, particularly if the manufacturer is not especially equipped to handle export business direct.

Possibilities for the Small Manufacturer.—A small manufacturer who might hesitate to attempt to pass on foreign credits or to pack for foreign shipment, or to forward goods on foreign lines, as, for example, some furniture manufacturer up in the western part of Massachusetts, might consider himself fortunate to be able to find a large New York export house of unquestioned rating which will give him an order for some of his products and tell him exactly how to pack them, paying for them as soon as they reach New York City and relieving him of all responsibility as soon as he mails his local freight receipt. This very advantage, however, shows that selling in this way is not exporting



FIG. 10.—Eversharp pencils in Mexico. A striking proof of poster possibilities in export merchandising.



FIG. 11.—Regal shoes in Chile. Note the hundreds of Regal shoe cartons on the shelves of "La Espanola" Antofagasta.

in the true sense of the word. It is selling goods to a domestic customer who is planning to export them later. It is only fair that the one who finds the market and assumes the risk should take the profit.

How the Veteran Manufacturing Exporter Profits.—A further advantage is the possibility of covering territory that the manufacturer might not find it advisable to include in a direct selling campaign. This advantage appeals not to the class of manufacturers referred to just above, but to the manufacturer who is himself doing an export business, but who realizes that there are certain isolated fields that he himself cannot reach at a reasonable selling cost. For example, the manufacturer may be routing a salesman from Guayaquil, south along the Peruvian coast, down to Chile as far as Valparaiso, across Argentina to Buenos Aires, Montevideo, up the Brazilian coast to Rio and home.

Filling in Blank Sales Spaces.—At the same time he may know that there is a fair market for his goods in Punta Arenas in the extreme southern part of Chile and in Para in northern Brazil. At the same time he may have another salesman who is selling from New Orleans, who is covering the Central American States, the northern parts and river towns of Colombia, taking in Trinidad, and working back through the West Indies. It would be unwise for him to incur the expense of sending his salesman from Valparaiso to Punta Arenas, or to send his other salesman from Trinidad or Curacao to Para. He may therefore well make arrangements with an export house to cover Punta Arenas, and with another one to cover Para, and prove himself a better exporter than the man who would absolutely refuse to have anything to do with a commission house and insist upon sending his men, at a heavy expense, into two points.

Further Advantages.—Similarly, an enterprise may have its own selling organization in Australia and allow some commission house to sell its goods in New Zealand.

When the commission house serves in either of these two ways, first by bringing orders from abroad to the American manufacturer, who is not interested in developing an export business, and second, by covering, at a low cost, territory that the manufacturer cannot himself cover, decidedly it is serving the interests of American exporters.

CHAPTER XVIII

THE EXPORT COMMISSION HOUSE, THE IMPORTER ABROAD AND THE AMERICAN MANUFACTURER AS CO-PARTNERS IN INTERNATIONAL COMMERCIAL EXCHANGE

"The eternal triangle in exporting, the importer, the maker and the commission house, should be a symbol of strength and not distrust."—Edmands Bridgeman Sanger.

The Function of the Export Commission House. What the Importer Abroad Can Expect from His Purchasing Agent. Tearing Down Barriers that Obstruct Trade. Mutual Knowledge Essential. The Export Commission House as a Builder of Export Sales. Examples of Proper Coöperation. The Correct Triangular Relation. Ways in Which the Importer Abroad Can Help. A Sound Method of Handling Substitutions. Effect of the War on International Trade. Unsound Interposition of Artificial Obstacles. Placing Responsibility for Error. Model Instructions from Importers. How the Export Commission House Can Render Greatest Service.

Between the American manufacturer and the ultimate consumer abroad there must be a means of communication by which products can be conveyed. It is idle to compare the varying routes as to their merits. It is as idle to think of there being one ideal method of communication as it is to think of what an efficient world this might be if it were entirely remade.

Individual conditions and individual tastes are all that save existence from monotony. There is still in this world ample room for the llama, the mule, the electric car, the steam locomotive, the sailing vessel and the steamship. There is still not only justification but actual need of the retailer, wholesaler, commission house and manufacturers' representative.

The Resident Purchasing Agent.—The commission house is fundamentally the resident purchasing agent of the importer. To the commission house, therefore, should be delegated all of the authority, and of it should be expected all of the qualifications, of the purchasing agent.

The foreign merchant who, in employing the services of a commission house, fails to recognize the exact nature of his relationship to it, inevitably fails to realize on the full possibilities

of the relation. What would the importer abroad expect of an individual sent by him to New York, for example, to investigate the possibilities of the United States as a nation of manufacturers in direct relation to the increasing of his profits? Would the importer abroad be content to have his own employec—existing solely through the compensation he paid him—act merely as an automatic clerk carrying out his specific requests for the purchase of merchandise? Would the importer be content to have him silent—a receiving instrument solely, hearing and obeying his commands? Would the importer consider him as incapable of acting in such a way as to secure for him not only favorable prices, but also assistance and coöperation in the sales of the articles he purchased at the importer's behest?

Experience an Asset.—The commission house has a tremendous asset in its experience which has brought to it an intimate knowledge of many things of value to the importer. The importer abroad employing the commission house as its resident buyer in the United States secures only a fraction of the worth of its services when it limits the commission house to the mere function of a transcribing machine.

It is absurd for either the importer or the manufacturer to assume that *of necessity* the commission house interposes a barrier shutting off many things and many services which would be possible in connection with direct relations. Put it to the test. Is there any reason why the importer's purchasing agent should in any way conflict with his best interest? Would any importer feel his intimacy with the manufacturer strengthened or weakened, if, instead of doing business over a gap of many thousands of miles, he had a trusted member of his firm who, at closer range, conducted a great part of the constant stream of negotiations? In what way could the importer consider such an employee a disadvantage to him?

Costly Mystery.—It is because even after centuries have elapsed the triangular relations of importer, exporter and manufacturer are still largely a matter of mystery that inherent strength of combination is often mistaken for inherent weakness. Just so long as the commission house is regarded by either merchant or manufacturer as a mere convenience, and not as a powerful agent, so long will its latent force remain concealed. No brief is held for the importer, commission house or manu-

facturer who is content to assume that international commercial exchange of today is a mere matter of the buyer and seller relation. If the importer feels that the manufacturer has nothing to offer but goods; if the commission house feels that its scope begins and ends with the transcribing of items ordered; and if the manufacturer's vision sees no more in the order received from the commission house than so many goods for so many dollars, the world of merchandising has retrogressed rather than advanced since the days when the first two men met and exchanged with each other the things which one had for different articles in the possession of the other.

For the commission house to perform its full function, it must know much of both the importer and the manufacturer; and it must know the importer's needs and the manufacturer's possibilities. This is not mere idle theory. An example proves this beyond doubt. A dozen years ago there were erected in Peru buildings designed for public service. The New York corporation in charge of the construction work sent many of its skilled force to supervise the task. Naturally, with them they brought to Peru their personal preferences for many things. Quite naturally they failed to find in the stocks of the merchants in Lima many of the articles to which they were accustomed. One able Lima merchant was keen enough to appreciate that the number of this body from the United States would justify him in catering to their needs. Somewhat to his surprise he found that several articles which they required were manifestly superior to anything he had previously carried in stock.

Underestimating Demand.—In placing his order for small quantities of many products with his resident buyer in New York—a well-known commission house—he felt that he was meeting the full requirements of the situation. Had the incident ended with the carrying out of his assumption, it would not have been related here. His purchasing agent—the commission house—saw in the situation possibilities which it was in a far better position to see than the Lima merchant. Fortunately, the order was accompanied by a letter, explaining by chance in a paragraph the reason for the small purchases of many products not previously imported into Peru.

The commission house, acting upon this clue, ascertained from the construction corporation the size of the project, the number of Americans who had gone to Peru from New York in the party,

and even listed by name every individual. With this information it was easy for the commission house to know in advance of actual demands on the Lima merchant many of the future requirements of the group.

Trebling an Established Business.—Going a step farther, the commission house by correspondence and visitation acquainted over one hundred manufacturers with the situation, asked each to select from its many lines the ones which would naturally appeal not only to the new colony in Peru, but also to the Peruvian market in general. Acting on its own initiative it secured samples and quotations and included these with the Lima merchant's orders. As a result, the merchant who was keen enough to order promptly the most pressing requirements, was placed in a position so that in twelve months from the time that his original order was mailed in Lima *his total business was trebled*.

From an incident, the presence of the supervisors of construction had been changed into an event. The commission house, from its commanding position at the apex of the triangle, was able to see possibilities invisible to both the Lima merchant and the manufacturers of the United States.

It would require a volume to unfold the details of the plan which in a year trebled the merchant's gross sales. The fundamental idea behind the plan was to acquaint manufacturers with an existing situation unknown to them, to direct the manufacturers in such a way that they would select from their many products the ones most apt to meet the requirements of the most valuable market, and to urge these manufacturers to explain so fully the uses and merits of the articles selected that it would be a simple matter for the Lima merchant to determine quickly and accurately the possibilities for profit each article offered to him.

Anticipating a Market.—A second example supplies further proof of the value of the commission house as a resident purchasing agent. Eighteen years ago the markets of the world were supplied in a certain line entirely by articles made in England, Germany, France and Italy. There were in the United States four large manufacturers making similar products, but none of these manufacturers had any interest in the possibilities of sales beyond the borders of the United States. A far-seeing New York commission house, noticing that its clients abroad

imported largely through them articles of allied lines, instituted an inquiry (not with a single client, but of world-wide scope) to find out the reason why such an important class of goods was wholly ignored. The replies from their own representatives and from their letters of inquiry showed that immense quantities were being purchased from Europe and that out of over three thousand importers approached, not one knew that products of this nature were made in the United States.

Prosecuting the inquiry still further, the commission house secured samples of the lines enjoying the greatest popularity in each important market, together with the prices at which these were sold. With these examples assembled and selling prices tabulated, the commission house instituted an inquiry into the relative abilities of the four American manufacturers. This inquiry included not only the quality of the products made but also the financial resources of each and the ability of each to handle properly orders for shipment to foreign markets.

Dominating a Territory.—This was seventeen or eighteen years ago. Today the American manufacturer selected by that commission house enjoys over 60 per cent of the world's total imports in his line. Of the remaining 40 per cent, other manufacturers in the United States divide more than half. This condition cannot be considered entirely typical because it so chanced that the products of these American manufacturers were in quality, attractiveness, convenience and value decidedly a better purchase for merchant and consumer than those previously supplied from Europe. It is only fair to say that it is seldom that the manufacturers of any one nation can claim such superiority.

This illustration is of importance to the importer, not because the inquiry and events which succeeded it *increased consumption*, but rather because it transferred from Europe to the United States a certain volume of business. Better articles, greater interest on the part of the makers to expand their sales by coöperation with the importer and, above all, the constant efforts of the commission house to introduce the line into new fields, combined to increase consumption. It may be estimated conservatively that the inquiry has doubled the profit to the importer who used the commission house on this line as his purchasing agent.

The Super-purchasing Agent.—The better type of purchasing agent looks about him in order to make sure that his final selection is the pick of the entire field, and not merely the best choice

of a limited portion of the possible field. The commission house whose policy is to be in touch with the best articles manufactured (often long before they are exported) is the one which is comparable to the purchasing agent who insists on making his selection from the entire field.

Just as there are in every country many merchants who never give consideration to increased profit by importation of new lines of merchandise for which profitable latent demand exists, but which demand they never seek out, so in the United States (as in other manufacturing countries) there are many makers of most desirable merchandise whose eyes are confined to the domestic field.

The commission house is in a position, by its knowledge of the articles preferred for good reasons in the United States, to bring together the reticent buyer and the reticent maker to their mutual advantage. This is a real service—a service tremendously important because it leads to unsuspected profits.

Establishing a Wholesaler Abroad.—Not many months ago the son of a wealthy merchant in a Central American republic decided to seek his fortune several thousand miles away from home. He desired to enter, as a wholesaler, a market in which there were already a score of wholesalers ostensibly confining their efforts to the line of merchandise which he intended to sell. Because this young man felt himself in need of advice as to the exact type of articles in the market largely unknown to him, he sought the counsel of a commission house in New York. To his surprise (since he had come for advice on comparatively few points) they suggested his postponing of the definite establishment of business in his new field until they had made an investigation for him.

Their inquiry showed that with twenty rivals the field was apparently pre-empted because of exclusive arrangements with the brands most in demand. The inquiry was not allowed to drop with this rather discouraging first set of replies. The commission house made a careful analysis of all the manufacturers—some six hundred—who together represented the resources of the United States in the allied lines in which the prospective wholesaler was interested.

Exhaustive Investigations.—By careful tabulations and by further investigation, the commission house finally turned over to the wholesaler a finely balanced line of connections whose

products would certainly be well received. Of even greater importance, every manufacturer selected by this commission house was interested personally in the joint efforts, so that they felt a very human interest in the success of the buyer. By having the commission house as a center, it was possible to arrange for the issuing in Spanish of a two hundred-page catalog which included *only* the articles especially adapted to the new field, and to share the expense with the buyer. As a result, one of the finest catalogs ever issued by a wholesaler was ready for distribution among the retail trade simultaneously with the arrival of a shipment covering the items listed.

This distribution of catalogs to the retailer was accompanied by a concerted selling effort by these separate manufacturers in behalf of their new client. The plan worked out by the commission house was so timed that its effectiveness was greatly increased.

Initiative an Essential.—The commission house is the resident buyer of the importer abroad. He is not an automaton unless the importer makes him into one. If the importer directly or inferentially insists that he is an automaton vending machine and is to return to him nothing in the way of service other than the exact goods called for by the coin deposited in the machine, then the importer cannot anticipate the full returns on his investment in him.

While the purchasing agent of a large corporation here in the United States carries out quite automatically many of the duties of his position (such as buying to the best advantage the exact brands specified by various departments) nevertheless, in a non-automatic field he earns his full compensation by his direct attention and loyal interest in the welfare of the corporation itself.

The commission house, in order to earn for the importer the compensation he pays it, must be kept constantly in touch with the importer's immediate needs. It is hardly possible for the importer to tell the commission house too much about himself, his field of action, his capabilities for increased sales and his most obvious lines for expansion. If the importer is reticent in this he will secure only a fraction of his share of the possibilities of his buying representative in the United States.

The Duty of the Merchant Abroad.—The day has long since passed when the merchant in any corner of the world feels that his

part in the world's existence is that of an automatic vending machine. If the merchant does no more than base his stocks of merchandise on the expressed needs of his customers, he has risen a step on the merchandising ladder. As he grows to study the needs and tastes of his clientele, as he appeals to its imagination and its pocket book by attractiveness of store arrangement and fixtures, he profits by the service.

The merchant of today realizes that the consumer has entrusted to him in no small measure the determination of what should be offered. The merchant of today knows by daily proof that he must *anticipate* the needs of his customers. The merchant is in a far better position to know what the manufacturers of the world are offering. He is in a far better position to judge of the merits of comparative offerings. All these factors combined make it incumbent for the merchant to be always on the alert to improve his service to his customers through the quality, as well as the variety, of his offerings.

The manufacturer of today is not content to supply only goods of the quality and variety passed down to him from untold generations. He has risen from the point where he, too, was an automatic vending machine.

Profits by Close Association.—Because of the similarity in business growth, merchant and manufacturer have often, in coming into direct contact, profited immeasurably by close association with each other. The merchant has learned that the manufacturer's stock did not begin and end with the few varieties known to him. The manufacturer has learned that the possibilities of sales in the merchant's city were not limited by the small total of the initial order. Together merchant and maker have coöperated in order to insure the largest column of sales and the greatest satisfaction of consumers.

That there is value in contact of this nature between the manufacturers in the United States and the merchants in other market-places of the world is not a matter of opinion; it is a matter of proved fact. There are small markets, scores of them, in which this co-partnership of maker and merchant has resulted in tremendous development of international commercial exchange. The coöperation has led not only to increased importation of American-made goods, but also very often has led importations into the United States of the products of these markets.

The Present Day Triangle.—Is there any sound reason why the

advantages of contact between maker and merchant should be permitted to vanish when the merchant instead of buying in person direct from the manufacturer makes his purchases through a New York commission house? It is unfortunately true that if we depend solely upon present-day facts the answer must be that, regardless of the necessity of the laws of contact, a situation exists which is positively harmful. Fortunately, however, there are many instances to prove that the triangular arrangement of merchant, commission house and manufacturer is not inherently weak from the standpoint of coöperative effort.

The commission house is fundamentally an employee of the merchant, acting just as a purchasing agent under salary acts. It can be seen clearly that if instead of handicapping the commission house, the importer extends to it the compliment of confidence, great and new fields will open. The commission house is not a non-productive middleman, but is a live, vital force, occupying a peculiar position in the world's marketing.

Peter Need Not be Robbed to Pay Paul.—Another angle deserves analysis. There are ways and means by which the importer abroad can enjoy in many instances the full services of the commission house and yet not rob himself of the undeniable advantages of close acquaintanceship and direct contact with the manufacturers. It is manifestly impossible for the importer's purchasing agent—the commission house—to know in fullest detail every profit-bringing possibility of each and every manufacturer in the United States. It is obviously an impossibility for his purchasing agent—the commission house—to know the attitude of each and every manufacturer toward each and every market.

One of the most important features, from the standpoint of the manufacturer, is the need of representation in any market. It is quite natural that any manufacturer should feel willing to spend no little time and expense when the introduction of his products in markets new to him was in the balance. It necessarily follows that the commission house should not interpose any barrier between the maker who is desirous of making a special effort in a new field and the merchant who would receive the valued benefit of such efforts.

DUTIES OF MAKER, MERCHANT AND EXPORT HOUSE

International trade has now approached a point which shows one reason for the failure of the triangular relation of merchant, commission house and manufacturer to reach 100 per cent of efficiency. If the merchant is indifferent to the assistance which the manufacturer is in a position to give; if the commission house deems itself merely a forwarding and financial agent; or if the manufacturer is blind enough to believe that because his sale is made to a commission house in the United States it is, therefore, merely domestic business—then efficiency is thrown to the winds.

It is of interest here to look at the possibilities by studying an example taken from a recent experience. In one of the smaller American republics a merchant, attracted by the advertisement in an export journal, of an American manufacturer, felt it to be part of business prudence to ascertain the salability of the product advertised. With his order for various items made by, perhaps, a dozen different manufacturers, he forwarded to his resident buyer in the United States—a prominent New York commission house—three items of several mentioned in the advertisement. The total amounted to less than \$20, for the line was one composed of myriads of small articles of low unit value.

The Importance of the Commonplace.—It will be seen from this description that the incident was not an unusual one in its initial stages. Every day thousands of merchants are including with their orders for staple merchandise of brands already established in their markets, supplementary orders for small quantities of lines which they have not previously handled. Because this is not a commonplace the results of this example are of imperative importance.

The merchant was, it must be confessed, more far-seeing than many. He saw, for example, that it would not be an entirely fair test of the salability of these new articles if he merely placed them in his stock without comment. So when he ordered these few items from the commission house, he wrote on the same mail direct to the manufacturer this letter:—

“I am ordering today through Messrs. Blank & Co. the following goods of your manufacture:

“I feel from the necessarily brief description of these which appears in the July issue of ————— that there is a strong possibility that they will prove admirably suited to this market.

"You will appreciate the fact that your lines are not yet known here. This letter is written in hopes that you will be able to supply me with attractive propaganda which will aid me in securing from consumers in this city a display of interest which will warrant me in ordering your lines in larger quantities later on.

"I enclose a photograph of my establishment. This, with the knowledge of the importance of my firm which you can gain through the usual channels, and particularly through the information on file with _____, will enable you to determine just how much coöperation you can fairly extend with the anticipation of securing profitable results."

Profits from Better Acquaintance.—The manufacturer was in no way extraordinarily devoted to ideas of trade expansion. Like hundreds of other American manufacturers he was vitally interested in his domestic market, and was extending his foreign trade carefully—but not with blind enthusiasm. Because of the business-like communication received, he could hardly fail to investigate the possibilities it outlined.

As a consequence of his investigation of the possibilities of the market, as well as of the reputation and ability of the merchant, he included, without charge, with the small initial order, goods actually in excess of the order itself. Further, he included propaganda in the form of attractive sales helps bearing the merchant's name and address. Still further, he enlisted the coöperation of the commission house (already familiar with the merits of his products) so that they took a personal interest in writing the merchant of the demand enjoyed by the manufacturer's products in many other markets which the commission house served.

Today, the merchant who went out of his way to write the frank letter we have just read is agent for the manufacturer, and has exclusive rights which he values at several thousand dollars per year.

Properties of Existing Channels of Trade.—The commission house serves as a constant channel of trade, and its importance in the triangular arrangement has by no means diminished. There are several ways in which the commission house of today serves both this maker and this merchant. One merchant now places two large stock orders—one in April and one in October. During the balance of the year he places monthly (when ordering merchandise of other manufacture) small assortments of items, specialties and novelties, for which the demand cannot be

determined with sufficient accuracy to establish correct figures semi-annually.

Whenever the manufacturer brings out any new sales helps, issues any new forms of display fixtures, or bulky advertising material, he takes advantage of the fact that the commission house is forwarding regularly orders for other manufacturers to this merchant, and thus is able to include at the very lowest of transportation cost these very important factors in the development of his sales through this merchant.

The commission house has aided both this manufacturer and this merchant in another important manner. While the manufacturer's lines were inclusive in the industry represented, it so chanced that the merchant's scope of business lay in fields well removed from this general line of merchandise.

Analysis of the Needs of the Foreign Merchant.—The commission house which had studied the merchant's problems saw in the successful exportation of the manufacturer's lines, the certainty that the manufacturer would profit by linking these more closely to its other activities—by the addition of at least four kindred but non-competing products. With this in mind, it sought out among the many manufacturers in the United States those whose products were of excellent value, and whose reputation for assistance to their customers was already established, and found most of them glad of the opportunity it offered.

Today, the merchant who three years ago ordered twenty dollars' worth of goods from a new source of supply is selling thousands of dollars' worth in the general division of business in which the original manufacturer was but one unit.

Through the whole-hearted coöperation of the commission house the original maker has profited through the establishment of the merchant as a dealer directly in his most important class of trade, whereas, at the outset, his lines were merely incidental to the merchant's general line of business. The merchant has profited by the careful balancing of his business, and through the fact that he is now generally regarded in his own city as the best source of supply for a whole new range of products.

Artificial Obstacles Must Not be Created.—Years ago commission houses were pioneers in international commercial exchange. They sought out buyers for American-made goods and sought out markets for the products of countries outside of the United States. Because of this pioneer service some have

failed to see that in the development of the world's commerce and in the development of the world's merchandising there is any justification for even the slightest acquaintance between the merchant and the manufacturer. Fortunately, this attitude (which can fairly be called short-sightedness) is confined to the few and has long since been relegated to obscurity by the many.

The commission house which interposes the slightest obstacle to freedom of communication and contact between merchant and manufacturer, owes to itself as well as to its employer—the merchant—some reason for its action. It will prove difficult, it can safely be ventured to assert, for any commission house to prove its right to arrogate to itself an importance which it does not earn. It can earn its position as the important link in commercial transactions not by a policy of repression but only through a policy of coördination.

Frankness as a Fundamental.—The importer abroad can secure the coöperation of manufacturers whose products he orders through commission houses, not by stealth, but by frankness. It is the importer's right to enjoy whatever aids the manufacturer is desirous of extending. It is his right to communicate with the maker of the goods he offers to his customers. It is the importer's right to expect from his purchasing agent—the commission house—a willingness to aid him through introductions to sources of supply, and through entire willingness to include with his orders whatever samples and other propaganda material the maker has to offer. Going a step further, is is the importer's right to expect the commission house to transmit to the maker his knowledge of him and his needs.

There is nothing to fear from any angle in frankness in business relations. Surely the importer is not planning to abandon the commission house that has proved itself a worthy link in his merchandising chain, merely because it has introduced him to another friend!

The Great Future of the Commission House.—In the field which the commission house serves it has been shown there is no more comparison between it and any other form of service than between the llama and the airplane. The commission house is not a thing of the past, but is facing a very useful future, whose scope is greater than its tremendous past.

The commission house, like the maker and the merchant, however, can realize its greatest possibilities for expansion only as it

serves. The importer can secure its most effective service by showing himself desirous of doing his share. The importer abroad must serve by coöperation with his purchasing agent, and with his source of supplies.

There have been many unusual developments which have arisen in connection with transactions in international commercial exchange. Since the war era it is perfectly natural that their percentage has risen. It does not take a prophet to see that their percentage will continue to increase.

The Effect of War.—It is still polite in many circles to ignore the effect of the late war on international trade. It is folly to blind oneself to any obstacle in the business road. If, instead of blinding ourselves, contenting ourselves with sophistries and maintaining optimism without effort to make the optimism more than the mirage of past normal conditions, we recognize difficulties; quite often we can overcome them. Today, those who serve the ultimate consumer in countries ranging from pole to pole must adapt themselves to conditions as they are, while endeavoring to make conditions as they would like to have them. One of the most important steps which they must execute as well as contemplate is the removal of imaginary obstacles in their international commercial relations.

It has been proved that it is possible to secure coöperation of manufacturers in connection with orders placed with commission houses. Wherever there have been found any flaws in what is admittedly a long-established, reliable and valuable channel of trade, it has been found that the fault was not one inherent in the method of merchandising, but a fault of one of the three parties in the triangle composed of the merchant, the commission house and the manufacturer.

HOW THE COMMISSION HOUSE AIDS IN MARKETING

A concrete illustration shows clearly the interposition of an artificial obstacle. A manufacturer in the United States of a line of products of rather technical nature enjoys distribution throughout the world which, while by no means complete, is, nevertheless, remarkably widespread. Experience has taught him that his lines require more than mere presentation to both merchant and user. In order to build up his foreign trade he sends regularly to markets large and small his staff of representa-

tives. These are more than salesmen. They are, particularly in new markets, "missionaries"—men who go straight to the user in behalf of the merchant and point out wherein this manufacturer's products are of value.

From the nature of their lines there is a constant demand for parts as well as complete articles. The commission house performs a very vital service because of this peculiarity. The merchant ordering a thousand dollars' worth of general merchandise can advantageously have included with his shipments a few hundred dollars' worth of parts and lines of minor importance made by this manufacturer. These would not be sufficient for a minimum freight shipment.

Unsound Practice Blocks Progress.—This manufacturer is often embarrassed by an obstacle which is clearly artificial. The merchant will place with a representative of the manufacturer an order for parts and complete articles for shipment through, and payment by, a definitely named commission house. The manufacturer's salesman reports the order direct to the manufacturer, who in turn communicates with the commission house, specifying exactly what the order contains, whom it is for and when shipment will be ready to be included with other goods going forward. It is not at all uncommon for the commission house in such a case to reply that, while the merchant is known to them, they have neither instructions nor authority to accept delivery or make payment for the goods; and even when the manufacturer is in a position to supply them with the signed order, there are still frequent cases where the commission house expresses itself as feeling under obligations to communicate with the merchant before authorizing shipment.

Obviously this is an unhealthy condition—an artificial obstacle for which there should be a remedy. After analyzing a number of cases of this nature it must be concluded that it is fair to place decided blame on all three parties involved. The manufacturer's salesman should have made certain that the same mail which conveyed the merchant's order to the manufacturer also conveyed confirmation of the order by the merchant direct to the commission house. The merchant, regardless of the suggestion of the manufacturer's salesman, should, as a matter of business, have advised his purchasing agent—the commission house—not only of the transaction in a general way but should have supplied full details.

Dividing the Responsibility.—The commission house in many cases should shoulder the blame. Through its knowledge of the integrity of the merchant and of the manufacturer, it should have been not only willing but also anxious to prove of real service by considering the matter not as something of business routine but as of a personal and important nature. With this in mind, and the often present small size of the transaction, it should be willing to trust to judgment rather than authority and accept the order for shipment and payment. Whenever in such circumstances evidence is obtainable from the manufacturer that the order was placed in good faith, as shown by the signature of the merchant, it is not too much to expect of the commission house that it should, in absence of direct confirmation, rely upon evidence which it would consider as sufficient to act upon in connection with its own personal daily business affairs.

Instances of an entirely different nature but involving artificial obstacles are not infrequent. All prove that the three points of the triangle—merchant, commission house and manufacturer—should work in harmony. All prove that the co-partnership idea is a farce unless deeds as well as words prove it to be of admitted value. All prove that merchant, commission house and manufacturer should today work with coördinated effort, not only to solve problems which must inevitably present themselves for solution, but also to remove the source of problems.

The importer can help his commission house to perform its duties more effectively if he will anticipate problems rather than create them.

The Need for Full Knowledge.—There is another angle, doubly important today because of conditions which exist. Co-partners should free themselves of the idea that only enough information should be furnished each other to establish beyond doubt financial responsibility. This incident may seem to be far-fetched. But is it far-fetched or obvious?

There is in one of the divisions of Australasia a firm established only five years ago. It is a newcomer in its chosen line of trade. It is in direct competition with a dozen firms established from thirty to seventy-five years. This newcomer entered into business life only a short time before the war started. However, it is today, not because of the war but in spite of the war, a prominent factor in the city it serves. It is a firm of young men. It has felt from the moment of its establishment that no

false sense of pride should prevent it from a full acquaintance with those in a position to be of service to it.

Before it sought merchandise, before it sought credit and before it sought representation, it sought to establish its policy in the minds of those commission houses and those manufacturers in the United States with whom it wished to enter into business relations.

Its first letters and accompanying enclosures told of the firm's desires. It did not content itself merely with a statement of assets and immediate liabilities. It went into detail as to the field into which it was entering. It told of the lines it could successfully handle and of the limitations it had set as its boundaries.

This initial exposition has been followed up every three months, again not only with a balance sheet but also with a statement of its needs, an intimate account of the class of trade it serves and particularly the kinds of merchandise it has found itself in a position to handle.

Instructing the Purchasing Agent.—Its instructions to the commission houses (for there are several which serve as its purchasing agents) are unique. It recognizes the superior position today of the commission house. It tells its purchasing agent frankly that it wants the goods specified when they are obtainable. It makes clear, however, that if the exact goods are not obtainable, the commission house *is or is not* requested to use good judgment in selecting other similar articles. A few lines from a recent letter of instructions are worth quoting here: "It has been our experience in dealing with manufacturers in the United States that before the stock shortage of an item exists in foreign trade the same situation has developed in connection with domestic trade. Almost invariably we have found that these manufacturers have, with the coöperation of their domestic customers, determined upon a regular policy of supplying some particular article for the one on which stock is exhausted, or have frankly expressed themselves as being unable to supply an adequate substitute.

"It is requested of you to advise manufacturers unable to supply the exact items designated by us to act exactly as they would for one of their closest merchant friends in the United States. It is requested of you further that when the manufacturer is unwilling to accept this responsibility or frankly in

doubt of the acceptability in our market of a substitute acceptable in the domestic market that you, with your knowledge of our market and our personal needs as a basis, determine whether or not substitution shall be made."

The Vexing Problem of Substitutions.—This Australasian merchant goes a step in advance even of these unusually specific instructions. He continues: "Our instructions regarding substitutes apply only to the products of the manufacturer of the articles designated unless we specifically note beneath the item ordered that we wish you to seek other sources of supply in case the product named cannot be purchased from the manufacturer named. This provision is made because we do not wish to assume unnecessarily the burden of introducing to our customers products of makers not regularly on our list. In general we prefer substitution of some similar article of a manufacturer with whom we have had previous relations through you, rather than the filling of our orders with competitive products, even when these approximate more closely the article designated so far as appearance, capacity, etc., are concerned."

The importer abroad can help his commission house to be of greatest service to him by studying this example and determining now how far its provisions can be adopted by the importer. He can help his commission house to serve him most effectively by instructing it in writing in such a manner that his general policy is a matter of record. The importer can help his commission house to be of greatest service to him by making clear at the time he orders just what his wishes are in regard to every item which is of importance to him.

Only a few months ago a case came to the attention of an export organization which illustrates the importance of such a set of instructions. A firm in Chile placed with its commission house an order for twelve items of articles made by a hardware manufacturer in Philadelphia. By return mail the manufacturer told the commission house that it could make immediate delivery of ten of the twelve items exactly as specified. It said that there would be a delay of from six to nine weeks in filling either of the remaining items.

When Should Items be Canceled?—It recommended the canceling of one of the items because there was no closely related substitute available. It recommended the filling of the remaining item with an article which, while differing decidedly

in appearance, served the same purpose and could be used harmoniously in connection with the goods ready for shipment. The commission house considered the advisability of cabling for instructions, but found on investigation that without a sample in the hands of the merchant a cable would not be a remedy. As a result, it authorized shipment of the ten items in stock and the suspension of the other two items.

The details of correspondence exchanged can be skipped over to arrive at the facts, which were these: The merchant would have welcomed not only the substitution suggested by the manufacturer, but also the filling of the remaining item with an article made by the manufacturer but not listed by him at home or abroad. It developed that the merchant in ordering had been guided solely by the catalog, and that the entire twelve items were not so much a question of mature judgment as guesses as to the most suitable lines to order. If the merchant had written his commission house of the situation which existed in his city, telling the state of the stock and the withdrawal of European manufacturers' articles, it would have enabled the commission house to act intelligently. The commission house would then have consulted with the manufacturer, discussing the suitability of the articles suggested in ordering, and the final result would have been the selection of eight instead of twelve items, which would have comprised the complete assortment necessary to meet every legitimate demand.

An Adequate Solution.—This is a matter of record, not a matter of conjecture. When, as a result of the correspondence, conditions were fully portrayed, the manufacturer was able to bring his full resources to bear on this problem. The solution was the standardization of the eight lines mentioned, and today these eight lines are the dominant ones in the Chilean city.

Many manufacturers are unable to show in any printed list or catalog, the lines which must be discontinued. The importer's buyer in the United States—his commission house—is often in a position to know of these when it is a matter of weeks rather than months before stocks will be exhausted.

How the Triangle Can Prosper.—The commission house can be of greatest service to the importer if it is a matter of record with it, not in the form of the orders the importer has placed but through his wishes expressed in correspondence, on just what products he wishes, if possible, protection, little or great, as the

circumstances may permit. The commission house can be of greatest service to the importer if he makes it possible for it to discuss frankly and intelligently with manufacturers just what the importer most requires.

The time has come for merchant, commission house and manufacturer to unite in the extermination of every formality which handicaps. Today every precaution has taken on a value which cannot be ignored. Those interested in the development of international commercial exchange must, by being men of vision and men of wisdom, act upon the reflection mirroring the needs of their co-partners.

CHAPTER XIX

THE EXPORT CATALOG AS A SALESMAN

"A catalog must be either a salesman or a failure. It must be more than a convenience to aid the buyer. It must be a positive force having a definite place in the selling campaign."

—Herbert R. Maxwell.

Function of the Export Catalog. Comparison of the Catalog and the Personal Salesman. Cover Stock and Designs. Losses through Inadequate Catalogs. Catalog Should Make it Easy to Buy. The Catalog as a Correspondence Time-saver. Thoroughness and Balance Typical of European Export Catalogs. What a Catalog Should Contain. The Use of Action Photographs. The Catalog as an Educator. As a Factor in Aiding Salesman in the Field. Translation of the Export Catalog. Average Domestic Catalog not Translatable. Rules for Checking the Export Catalog.

To think of the export catalog merely as a condensed card index of products and prices is a great mistake. Such a mistake is equivalent to regarding the sales force as merely a saving of buyer's energy by not compelling the buyer to write out and mail his orders. It is of primary importance to consider the export catalog as a salesman and not as a necessary evil of the non-productive class. If it is looked down on, made to feel that it should wear second-hand clothes, subsist on crumbs from the sales table, then it surely will perish only in kind.

The Field of the Export Catalog.—There are not a few manufacturers whose domestic selling organizations cover, through their own representatives, every town of average size in the United States. It is safe to say that no manufacturer in any country, through his own sales force, similarly covers every city of average size in the world. This fact has direct bearing on the export catalog. A handsome export catalog may be of only passing assistance to the salesman's *personal* attack. But it is frequently the attention-arrester, the desire-creator, and the action-compeller in export sales based on mail campaigns. The first thing a catalog should do is invite perusal. Strangely enough, this elementary principle has only been appreciated in comparatively recent years. Compare the newsstand of today with that of a decade ago. The percentage of attention-arresting

magazine covers is over 90 per cent, as against the former 20 to 30 per cent. Compare export catalog covers today with those of yesteryear. In 1900 the average catalog cover bore on poor stock a wood cut of the factory! Today, there are export catalogs whose covers rival those of our leading magazines. The average advertising and even export manager knows today more of cover stocks, because there is so much more to know, than the expert paper men of two decades ago. The average importer knows, too, that the alert manufacturers do not permit unattractive covers, although some small and inferior makers may have good looking ones.

Selection of Cover and Paper Stock.—What cover and paper stock are the most attractive? There is no correct answer and the advertising man or printer is usually an adult against the average infancy of the export man, when it comes to paper and type. One sound rule is that the stock of the cover shall dignify the text it holds, shall create a good impression of value, shall be strong enough to withstand the wear and tear during its lifetime and shall not soil or mar too easily. Beware of the delicate colors, remembering that gray will often answer, or that onyx does not show finger-marks as quickly or easily as, for example, lilac.

The lack of true desire for export profits is expressed by many American manufacturers by their small, unattractive and non-salesmanlike export catalogs. It is folly to expect such catalogs to be valuable sales producers. It is only fair to admit that many domestic catalogs are overloaded with minor lines. No good export catalog is loaded with lines and subdivisions of lines which divert the attention of the importer abroad from the more important lines upon which the profits from export sales must largely depend. There is a vast difference, however, between overloading an export catalog with non-essentials and the parsimony which dictates the curtailing of the export catalog to an envelope enclosure, 3 by 5 inches in size, without illustrations and printed in one color.

Establishing Reputation for Desirability.—It must be accepted as a fact that it is possible for the American manufacturing exporter to impress his personality upon importers abroad by his export catalog. It should be a substantial aid in conveying the impression to the importer that it is issued by a most desirable source of supply. It should be a tangible proof of the ability of

the manufacturer to export well, as contrasted with the mere ability to make good products. The importer admiringly contemplates the well-bound, well-arranged and attractive export catalog. Unconsciously he gathers from it an idea of the personality of the exporting manufacturer—the intangible something which his experience has taught him as leading to the desirable business connection.

It cannot be emphasized too often nor too strongly that domestic reputation does not imply world recognition. This is hard for an American to understand. It is only through a constant series of proofs that it becomes at all plausible to think that firm names, which have become household words here at home since childhood, are still meaningless in many parts of the world.

Making the Catalog Representative of the Enterprise.—The head of an export organization relates an incident which proves this point. He was handed an eight-page, 8½-by 11-inch illustrated price list, by a large importer from one of the British Colonies, and asked, “Do you chance to know anything of this firm? I need a connection with some maker of a similar line of goods. Some of these things look interesting to me, but I don’t want to tie myself up to a small concern that cannot fill my orders, and who don’t make a well-balanced line.” The flimsy eight-page folder was the sole export catalog of a \$10,000,000 corporation.

A much smaller corporation—one so small that it would be hardly recognized as a competitor—had issued, several years before, an export catalog of exceeding merit. If by any chance this small maker had stumbled on the fact that this particular importing merchant from the Far East was thinking of adding a line of their type, and in consequence had sent their catalog, an immediate agency connection would have resulted. This would have closed a most desirable connection to the later appeals of the far bigger company with the inferior catalog.

Coupling the Catalog to the Sales Letter.—One of the chief functions of the export catalog is to make buying easy. It is certainly advisable that the export catalog should remove the burden from correspondence of explaining standardized details. The good export catalog in turn makes possible good export sales letters, by providing in the best place information which otherwise would interfere with the function of the sales letter. The very great majority of over-long export sales letters are

over-long because proper consideration and proper construction of the export catalog have not been considered as vital.

Simply as an insurance against oversight, it is wise to include in the opening pages of an export catalog all standardized practices which relate to the making and handling of an order. Not only does this lead to stronger letters (because they are thus freed from the necessity of cut-and-dried paragraphs) but, with the possible exception of discount, it makes the catalog or price list sufficient unto itself as a salesman.

European Recognition of Need of Balance.—One criticism which foreign merchants are justified in making when comparing export catalogs from this country with those of European manufacturers, is the lack of balance of which we are almost constantly guilty. In our domestic catalogs it is often good salesmanship to give a large amount of space and to lay particular emphasis on some novelty a step in advance of domestic competition. Our subconscious mind leads us to assume erroneously that we should follow the same practice in our export catalog. Often "familiarity breeds contempt," and we relegate to an insignificant position the very line on which depends the success of a foreign campaign. Similarly, we emphasize abroad some minor feature of our products without thinking that we are following domestic practice in making the most of some little thing which we alone possess.

It may well be (and quite often is) the case that in thus laying stress on the minor conveniences, we are overlooking the important fact that the article as a whole is not a common one in other markets. Possibly it is the fundamental idea, rather than some mere refinement, that requires explanation. The absurdity of overlooking this point is obvious on second thought. Take for example an imaginary case. Assume for the moment that as this is written, automobiles are unknown outside the United States. We can all be amused at the thought of a manufacturer who, as a pioneer in exporting automobiles, urges foreign dealers to lay in a stock of his cars because his car has a valve-in-head motor.

Absurd Illustrations Too Prevalent.—This would be no greater perversion of introductory technique than is seen in every issue of export journals, and that is perpetuated in editions of export catalogs year after year. Illustrations have repeatedly accompanied text absolutely meaningless because the article portrayed

was not one with which foreign buyers were familiar. These illustrations, even on careful study, failed to reveal the purpose or service of the device. The text, "Notice the convenient location of the thumb screw," or some similar phrase or phrases, is often as meaningless to the reader as though it had been printed in an unknown tongue.

To be a salesman, the catalog must create desire. Catalogs in many lines fail to show action in their illustrations. Even the best color work cannot overcome the handicap "still life" imposes on it. Whether the product be sugar or dominoes, peanuts or pianos, *action* is necessary to create desire to all but the educated taste. The very makers who insist that their advertising agencies produce interesting action drawings for their domestic magazine publicity are forgetful of fundamentals when it comes to their own export catalog.

A Poor Choice.—One maker of men's garters bought a patent not many years ago which he rightly felt embodied a real advance in garter-making and comfort. He did little consumer advertising, investing his money in stirring up dealers. As he was bringing out a new catalog he naturally used it to feature the new garter, in which he gave six full pages to it. One was almost solid text—description and prices.—The remaining five were colored photographic reproductions of the different shades in which it was made, plus one "X-ray" showing the construction.

While this resulted in some casual sales, the net result by no means justified the space taken. That same maker, a year later, tried the idea of merely listing the shades and giving three pages of action photographs which showed the consumer angle of comfort, and as a result nearly half his customers ordered without waiting for the usual salesman's visit. Very few, of course, took the trouble to explain why they ordered—if they reasoned it out—but several score asked for display cards and circulars "showing the way the garter works," showing clearly their real appreciation of the action pictures.

Portraying the Right Selling Point.—In an entirely different line, a hardware maker learned that the catch line "The tool that fits your hand" did not begin to pull until in his catalog he pictured it out by four illustrations. Similarly, a perfumery maker with a new disburser found his best appeal to be an "X-ray" photograph with action supplied by fingers, combined with an entirely different series showing the flow at different angles.



FIG. 12.—Paving Havana with something better than good intentions. The Barber Asphalt Paving Company furnishes asphalt and steam roller. In the foreground is Stanley H. Rose, Manager of Foreign Sales.



FIG. 13.—An Armeo Culvert in the Malay Peninsula. The American Rolling Mill Company exports rust-resisting products to far corners of the round world.

This supplies only a start in making the catalog a salesman. "Kill complaints before the dealer believes them," is the sage advice of a past grand master of merchandising. The catalog is one powerful weapon in this kind of a preparedness campaign. One, two or even four pages devoted to handling complaints is often the right road to the dealer's heart. No dealer likes a complaint, and every dealer likes to back up his chosen goods. There are many ways to aid the dealer in this. One of the best is to have in the catalog the dealer has always at hand a concise description of probable complaints, their causes and the right road to satisfactory answers. It is not enough to have this in the catalog. The dealer must know it is there. He must know it, first, because he is told so when the catalog is sent, and, later, because he cannot dodge seeing it when he uses the catalog. An inconspicuous location, therefore, will mar its usefulness.

The "Question Answerer."—The third point in the catalog salesmanship is to make the dealer refer to it not only to order, but also to answer the questions he would ask the exporter's salesman if he was always present in person. Most catalogs fail to point out consumer arguments. This is in the face of the strange tendency of manufacturers as a rule to try to sell the dealer with consumer selling points.

An Indiana exporting manufacturer has spent tens of thousands of dollars to acquire patents and ideas to make the use of the several hundred products more convenient for consumers' use. But he does not advertise direct to the user abroad. His catalog, by its brevity, conceals the very things the dealer needs to put the sale across the counter. In his export catalog is used, over and over again, the non-descriptive phrase "patent adjustment." This refers to parts of his devices. Because he knows what the patent adjustment accomplishes, he feels that it "shows on its face what it's for" and "can't see how anyone could overlook it." But probably two-thirds of *users* abroad never know the purpose served by the rather clumsy-looking attachments.

An office-to-office test within ten blocks of their largest branch house abroad showed by actual count that this manufacturer would have been better off to have used a non-adjustable device. In six cases out of ten the ones who used these devices most, did not know of the adjustment. Three out of the remaining four did not know its full possibilities or convenience.

When User's Preference is Known.—This report was placed before the American manufacturer. He was astounded and showed an elaborate circular that was sent out in the box with each device. He told the export organization that made the investigation that their "salesmen all were decidedly in favor of the patented attachments." Beyond question, some few consumers read the circulars and the manufacturer's salesforce used the argument. The fact remained that the big bulk of dealers and users not only did not know of it but that it was a handicap overcome only by the inherent worth of the machine itself. In a similar line where the maker pounded home *in his catalog* the strong consumer selling points, investigation proved that the dealer's clerks talked more over the counter of the "patented attachment" than on durability or service, and that the catalog's insistence paid big dividends.

Increasing the Salesman's Efficiency.—There is still another angle on catalog building that some exporters have realized for years, yet many catalogs show on their face as unknown to the many. This is its use in increasing the salesman's efficiency. There is nothing like cold type to back up an argument. Every dealer knows that what a reliable firm says in black and white, is so. This does not, however, extend to every word of the salesman for the very same house. Based on this, justified or not, the wise builder will make his finished catalog stand squarely behind his salesman's claims; not in some cases, but in all.

Many American enterprises are afraid to have their catalog be more than an illustrated price list, and one to be used by the salesman as such. But the salesman who can say, "This will save 26 per cent over the usual model," and then, by use of his catalog, can continue, "and here's my firm's proof of it and the reason why," not only puts selling strength in his argument but also is able to continue after making the sale of that item, "You will note on the next page an article that has proved itself in Rio and Melbourne an exceptional profit-maker. See how the display box shows up. It's on the counter selling while your clerks are busy waiting on some one else."

The moment an export salesman can bring the export catalog into action *with a reason*, and can use it to start a sale, clinch an argument and suggest further items, it is a real selling power. The moment it is merely a proof of price or packing, it drops back to comparative insignificance in sales making. Still, in

even such a role the catalog must not fail. It must contain every detail which will show (in connection with discount quoted) the exact price f.o.b. factory or seaboard, and through its completeness show the dealer or salesman knowing the freight rate, the laid-down cost in the dealer's store.

TRANSLATION WORK IN EXPORT CATALOGS

The translation of the export catalog is a most important matter and should begin long before it reaches the translator's hands. It is a knack, but one which can be acquired, to write English which translates easily and naturally. This is of greatest importance in the descriptive text, preface and where instructions for ordering are concerned. "When in doubt—re-write" is the only safe rule, judging of the "translatability" of copy, and a rigid enforcement of this rule is doubly important when it refers to catalogs, booklets and circulars, as in these, errors, even in shades of meaning, are all but unpardonable.

Common Errors to Avoid.—It is particularly important to avoid the common error of assuming that the domestic catalog furnishes the last word in text and arrangement of text. The good export catalog exacts far more of the export manager than the handing to translators of the body of the domestic catalog with a specially written preface. The products to be sold abroad, their uses, conveniences, comforts and prices are the real bases. The domestic catalog should be used *only* as an aid to the builder of the export catalog. It is far better for the export manager and his assistants to write the export catalog from cover to cover than to attempt to use the domestic catalog as text merely requiring revision.

Preparing the Text for the Translator.—The average domestic catalog is not translatable into a good export catalog. The first task of the export catalog-builder is to prepare text that when translated will convey his full and exact ideas in a form which will be completely understood by each reader abroad. Idioms and colloquialisms, trade nomenclature correct only in the home market, references to methods and practices peculiar to the United States must be rigidly eliminated. The text supplied to the translator must eschew all doubtful or double meanings. It must be based squarely on an adequate comprehension of the ultimate reader of the catalog and upon the very knowledge possessed by the ultimate reader of the catalog.

The conditions which will be found in the countries to which the catalog will go must be determined. This frequently calls for exacting research. The equivalents of domestic trade terms and technical phrases must be sought out before translation and not left to the translator except in most unusual cases. The form of expression which will be most acceptable to importers abroad must be ascertained. Many otherwise excellent American export catalogs literally offend importers abroad because of the form in which claims of superiority are made, emphasized and reiterated. It is on this particular point that the service of the linguist should be enlisted before the text is commenced.

What the Translator Must Know.—In exactly the same manner, the translator should be brought to know the products which the export catalog portrays. Not only the actual products and their constituent parts but also the uses of the products must be familiarized before the translator is equipped to make the export catalog into a salesman. The translator must be able to visualize the product in use, not only as used in the domestic market but also as it will be used in foreign markets. He must know the arguments by which it is sold at home and abroad, and its appeal to the consumer. It is well to demonstrate complicated machinery before the eyes of the translator.

The export executive must share most carefully with the translator fundamental knowledge of what is to be sold and of the conditions under which it is to be sold. The United States, as a nation, is accustomed to the use of many products which are unfamiliar in the daily life of many nations. A situation is thus brought into being that demands a most careful study to determine the exact wordings which will best present the idea of use. It calls for new words in other languages to designate exactly the purposes which the product is designed to accomplish and to identify the elements which together result in this accomplishment. While the creation of new words is naturally to be avoided wherever possible, it is decidedly preferable to coin a word and explain its exact meaning, than to accept an existing word or phrase which in its connotations is misleading.

Checking the Original Copy.—It will be found well worth while to read the English text most carefully before sending it to the translator. From notes made in this reading the catalog should be accompanied by a many-paged letter based on the idea that even the smallest chance for incomplete understanding should be

eliminated at the outset. In an examination of many dozen carefully prepared catalogs the one greatest cause for criticism is, that semi-meaningless phrases in description of products are commonly found. This is due, beyond doubt, to the fact that the translator was not certain of his ground and "played safe" by a rigidly literal translation of the English words.

It is hardly fair to call all of these excellent catalogs faulty. Many are fine examples of selling literature. These minute flaws are mentioned as a warning to the less-experienced so that they can see the necessary extent of pre-translation work. One of the most brilliant export managers in this or any country admitted that he had been responsible for eighty-two catalogs and that not one was perfect in description and detail. If all were equally frank it would be admitted that best efforts have fallen short of absolute accuracy. But that supplies no reason for not working toward the ideal.

The manifest advantages of the loose-leaf type of export catalog demand the attention of each export executive. Not only does the loose-leaf method of binding permit of addition of new pages describing added products but also it permits the removal of pages describing lines which have been dropped or altered. A further advantage of the loose-leaf catalog lies in the forceful manner in which changes and additions are brought to the attention of each customer. From the sales angle the loose-leaf export catalog affords frequent opportunities for sales letters in connection with the sending of pages.

The principle which insists that no artificial obstacle be permitted to remain in the road between seller and buyer applies definitely to the export catalog. The export salesman must be able to present his arguments in the proper language. The export catalog should be printed in the correct commercial languages of the markets in which it seeks orders.

HOW TO CHECK AN EXPORT CATALOG

Accuracy in every detail should be the goal of every builder of an export catalog. This can be secured only by most exacting care in the preparation of the text, illustrations and tabulations, plus a scientific checking of the printed proof after translation. The method given below is the system employed by a veteran exporter. It came into being only after so many trivial and

major errors had marred his export catalog that the need of a definite set of rules for checking was made entirely apparent.

Eighteen Divisions of Checking

CHECK I

Write and check, letter by letter, the cover pages first.

CHECK II

Prepare, divide and check for text and color-break up the "Introduction," "To the Trade" or "Preface."

CHECK III

Check Table of Weights and Measurements by common sense as well as original draft. This is particularly important.

CHECK IV

Check "Table of Contents" or "Index" from and to text. When this is done make new index and compare it with checked copy before deeming check complete.

CHECK V

Assuming that text in English is complete and entirely legible, check catalog numbers.

CHECK VI

Check description of each line and size

- (a) By common sense
- (b) Against catalog number
- (c) For every detail, not only for accuracy but also for completeness from a selling standpoint.

CHECK VII

Check manner of packing of each item, for example: "1 gross to the case," "one hundred meters per coil."

CHECK VIII

Check quantity unit used in connection with price, such as "Gallons," "Gross," "Dozen," "Yards."

CHECK IX

Check list prices on each item.

CHECK X

Check descriptive text, used as headings and sub-headings.

CHECK XI

Check page numbers.

CHECK XII

Check color-break up (*i.e.* the words and figures to go in contrast color).

CHECK XIII

If discount sheet is separate from catalog, check this by making up new discount sheet direct from catalog based only on memory and common sense, and check this against original draft.

CHECK XIV

Check running titles.

CHECK XV

Read catalog from start to finish, word by word, as if considering accepting the agency for an unknown product and that the catalog was the only guide.

CHECK XVI

Repeat all checks possible on receipt of translated copy. Check illustrations:

- (a) To see that lines portrayed are listed
- (b) To see that catalog numbers, descriptions and packings are correct.

CHECK XVII

Check catalog for uniformity of phrasing in descriptions.

CHECK XVIII

Check catalog for punctuation.

In connection with checking translated copy, it has been found highly advisable to have a second person read the English while the export executive held the text in foreign language. By this stage the catalog has become more or less stale news and almost known by heart. The to-be-expected perfunctory reading the mind is apt to give at a critical stage, is almost worthless.

Do not spoil all previous efforts toward good catalog making by poor checking. The export manager should accept active participation in the checking of the export catalog as most important, unless someone else knows more of the catalog and its correct contents. *When in doubt, kill that doubt before proceeding.*

The Finer Points of Export Copy.—So far, with few exceptions, elementary points have been described. There are finer points which are difficult to explain but which mean much to the selling power of the catalog. To be concrete, the selling arguments employed must be what Robert Louis Stevenson would

have called the "inevitable" ones. It is a lazy man's way to use phrases from the domestic catalogs merely because they are handy. It is fool's pride which abandons an alluring description in the domestic catalog for an inferior one of purely export making. The vital point is to know, not guess, what the export catalog must contain so that the buyer in a foreign market may order to his right buying capacity. If the important point to make is that a machine has a thumb screw on the left-hand side instead of on the right-hand side, emphasize it. If, however, that point is only valuable here at home and to the minor if only advantage over the non-exported "Jones" machine, it should be omitted. Often it is wise to keep to fundamentals and to stress to the buyer abroad only that a product saves time, temper and money, and will sell on sight for those reasons.

Each item a manufacturer produces should be analyzed to determine its best *export* selling points. If a patented device has no rival abroad the sales argument should be based on its basic advantages, even though domestic competitors have driven the exporter to feature trivialities in the home market. The export catalog should be straightforward. It should make it easy for the exporter's co-partner—the foreign dealer—to order.

The export catalog must be a salesman. In its preparation there should be a mental picture of the catalog entering the establishment of the foreign buyer, presenting a quotation letter as its letter of introduction and then answering every question natural in the circumstances.

Test each export catalog on this basis. If a sale results in the right per cent of cases, the catalog proves itself a salesman.

CHAPTER XX

THE PLACE OF THE HOUSE ORGAN IN EXPORT SELLING

"Beyond question, the house organ, rightly conducted, is one of the most efficient and economical of advertising mediums."

—Arthur T. Garrett.

Function of the House Organ. Fundamentals of Editorial Policy. How to Secure Reader Interest. Its Use in Creating Good-will. First Steps in Preparation of Copy. Mailing Lists. Articles that Are Appreciated by Importers Abroad. Contributions from Outside the Enterprise. Features Which Insure the Preservation of Each Issue by the Importer. Photographic Reproductions of Window Displays as Illustrations. Method of Testing Reader Attention. Examples of Successful and Unsuccessful Export House Magazines.

There is no more commonly neglected sales weapon in export trade than the house organ or house magazine.

The export salesman must speak largely about the things of which he wishes to speak. The export sales letter must, perforce, devote itself largely to its selling message. The house magazine of the exporter may and should be given over almost in its entirety to those topics which are of immediate and intense interest to the importer abroad.

It is true that this conception of the house magazine is not a common conception. While there are all too few house magazines used in export selling, it is entirely fair to class the great majority of these as supplements to the exporter's catalog.

EDITORIAL FUNDAMENTALS

So seldom is it that the proper conception prevails that it will be found almost universally that from cover to cover the house magazine is filled with direct sales appeal—something better left, if not entirely to the salesman and to the sales letter, at least to other forms of the printed word.

The first fundamental of a magazine is that it should be edited for the reader and not for the editor. There are but few existing proofs in the field of the house magazine sent abroad that this statement is correct, unless we include the many negative proofs of what the house magazine should not be.

It is an easy matter to fill the house magazine with glowing articles describing in flowery adjectives the products which the exporter wishes to sell. It is an easy matter to illustrate the house magazine with existing electrotypes of staples and specialties. It is a relief for the export manager to have plenty of white space to fill with printed words or praise for products and policies. There is no one place which so fully and completely can satisfy the export manager in his portrayal of the merits of his lines.

Building Up Goodwill.—Fundamentally, the object of the house organ in export trade is to increase profits by building up goodwill, and not by crudely inviting purchases. The house magazine, to be truly effective, must, therefore, create goodwill first of all by filling an existing need of the importer abroad. It must bring to the importer something which will interest him, something that, without the house organ, he would miss and, so far as it is possible, actually aid the importer in making profits which would otherwise be unobtainable.

The first step in the correct editing of the house magazine should be to ascertain the preferences and the needs of those who are to read it. It is unwise and unnecessary to permit this to be a matter of chance. Investigation should precede and not follow the issuance of a house magazine, and from the start definite policies should be worked out. In passing, it is well to say that it is far easier to map out editorial policies than to live up to them in the constant temptation "to put a selling punch" into each article.

The Mailing List.—The first step in building up the house magazine is to construct its mailing list. In the great majority of cases this can well include the better class of prospective customers as well as existing customers. This should follow a diagnosis of the personnel of the mailing list and a careful study of its crying needs. It should be remembered always that the test of an article or of an illustration should be its adaptability to the reader. Only by placing himself squarely in the shoes of his readers will the editor of the house magazine even approximate the right decision.

LAUNCHING AN EXPORT HOUSE MAGAZINE

From these generalities it is well to ascend to concrete facts. For an easily comprehended example, the inauguration of the

house organ to further the profits of the manufacturing exporter of toilet preparations will be used. It can be assumed that from every available source a mailing list has been built containing the names of several thousand dealers. Consideration will be confined to the Spanish edition of this particular house organ. The first issue can well be devoted to an introduction of its publishers to its readers and be largely proofs of the responsibility of the manufacturer and his desirability as a source of supply. Then comes the real problem—the year-in and year-out problem of supplying to the reader exactly what he wants and needs to read.

It is fair to assume that the dealer is interested in his business. He must be, if he is a desirable customer and one whose goodwill is worth cultivating. It is, therefore, fair to assume (and experience has proved the assumption to be sound) that he will read with interest and appreciation articles which will enable him better to stock his store and better to display his stock, provided these refer only incidentally to the products of the enterprise publishing the house magazine.

Solving the Dealer's Problems.—The interest of the dealer can be secured and held, month after month, by articles which solve problems which perplex him. The dealer welcomes invariably articles which will enable him to price his goods correctly; systems which will simplify his accounting; diagrams and photographs with text which lead to better store arrangement, and unbiased portrayals of the various types of store fixtures.

The American manufacturer can count upon the careful reading of articles which deal with successful methods employed in handling complaints, articles which show delivery costs in the United States and elsewhere and hints which will better his collection record and safeguard his granting of credits. Above all things, a sympathetic reading is insured to all articles which point out definite ways to increase sales.

With these specific texts or concrete topics there should be an admixture of articles by men whose fame is known in every Spanish-speaking country, perhaps once or twice a year a bit of original verse, light and pleasing in nature. It is entirely possible for the correctly edited house magazine to secure as contributors men of international importance working for the better understanding between the American republics—men who have messages which will be read, appreciated and remembered by every customer, actual and prospective.

Insuring Retention of the Magazine.—Then, too, there is another feature which should be present in every issue of the house magazine distributed abroad. This must take the form of information so valuable that in itself it warrants the reader in preserving the magazine for future use. The importance of this is easily seen, easily forgotten and most difficult to secure for every issue.

In this class fall tables of weights and measures as used locally and internationally, tables of metric equivalents, glossaries of trade terms, lists of abbreviations used in international trade, definitions of forms and phrases used in foreign commerce, existing parcel post facilities to and from the United States as arranged with each American republic and with each Spanish-speaking nation.

Wise Choice of Illustrations.—Illustrations should be chosen not so much with the idea of economically using existing electros, but to secure the most interesting illustrations from the standpoint of the merchant abroad. Much as the export manager might like to see an X-ray view of a pencil sharpener, it is entirely probable that his reader would infinitely prefer a sunset view of the skyline of lower Manhattan—whose skyscrapers have such a compelling appeal to the Latin.

It is entirely fair at this stage for the reader to ask in no uncertain terms what space is to be given to definite goodwill building. The reader might well criticize the preceding program as altruistic and ineffective in the building of goodwill. If the great majority of the text and illustrations are devoted to topics remotely if at all connected with the manufacturers' products, the reader will attach tremendous significance to the fragment which does relate to the enterprise which publishes the house magazine.

Proving World-wide Distribution.—One of the functions of the house magazine is to prove widespread dealer and consumer acceptance of its products without stridently proclaiming "Our goods are sold everywhere in the world." By deft use of photographs showing window display from Iceland to South Africa, by photographs showing universal methods of transportation in many countries, no blare of printed words is needed to convey the essential idea *by proof*. Similarly, the worth of a product can be skilfully suggestive in an article showing the correct uses and probable abuses of a product, written in such a helpful vein

that it will inevitably help the merchant in his daily contact with his own customers. In reading such an article the dealer will instinctively come to recognize that the product is worthy and that complaints and claims are the result of incorrect use.

Science and sales artistry should be employed, so that in bringing to the attention of the dealer new and novel additions to existing lines he will think at once of the added profit these will make for him, and not buckle on his armor as he will frequently do in direct sales attack.

TWO ILLUMINATING EXAMPLES

The correct export use of the house magazine can be shown clearly by the citation of two thinly disguised cases of what a house organ must and what it cannot be, if it is to be a worthy sales weapon.

The Blank Manufacturing Co. of Toledo decided to increase their foreign sales by 50 per cent. They were willing to invest heavily in order to wrest export sales leadership from an English rival. A house magazine, to be sent every month to their customers and selected prospective customers abroad, was proposed by their advertising manager. The export sales department was in hearty agreement with this plan. An appropriation of \$10,000 per year was set aside for an export house organ. The first issue was a model. Each department head, and even members of the Board of Directors, contributed most interesting copy out of their wealth of experience. New lines (brought out since the annual export catalog was issued) were attractively displayed and, as a result, a thoroughly readable and well-balanced magazine was produced.

The second number was issued on time and was of almost as high a standard. Excellent material found space, which had been omitted from the initial number by sheer lack of room. Departments which had little interest at the start, once aroused by the success of the initial number, came to the front with human-interest articles and notes which made editing a pleasure, and the third and fourth issues easy to prepare.

The Danger Stage.—Then the decline in effectiveness commenced. The novelty of the export house magazine was a thing of the past. The one good idea each man is supposed to have, had been contributed by the inside staff. The foreign traveling

sales force clamored for recognition. "Tell importers about the goods," it unanimously insisted. "Make it easy for importers to order. Run list prices and catalog numbers of some of our specialties. Use testimonials from our customers in every issue."

With this use of material and a few photographs of window displays, the first half-year passed. Then the President conceived the idea of an issue devoted to the growth of the Company. He indicated enough angles to take up the entire sixteen pages, and approved the expense of new photographs and half-tones without hesitation. The house organ collapsed after the next four issues. Department heads had to be cornered to contribute. The advertising manager was pressed for time on account of the coming Fall campaign. The export manager had written himself out.

An Inglorious Ending.—At this stage the export salesmen began to criticize the magazine adversely. They were only half appeased when the distracted advertising manager ran a monthly series, "Star Blank, Export Salesman," with full-page photographs and pages of laudatory text. A page of hastily clipped humor crept in. The size of the house organ was cut to twelve pages. Photographs of domestic window displays and sales copy on oldtime staples were used to fill up the issues. One issue came out three weeks late. Finally, with the consent of all, the magazine so brilliantly started was allowed to be added to the list of "direct export advertising" failures.

A Successful House Organ.—The other side of the picture points the moral of this fiasco. To make the moral effective there has been selected the history of a house magazine the career of which export executives have followed with pleasure during the past five years.

The particular magazine's existence is due to the untiring interest of the "assistant to the general manager" of one of our large Pennsylvania corporations. In the face of opposition due to the fact that the house organ idea had been tried in the domestic field before by his House and its competitors, and abandoned, he persisted that it was the only logical way to fill up the gap left by the absence of a good export trade paper in its particular field. If he had been of less authority, or had not had a record of getting back two dollars for each dollar he spent, his export house organ idea would never have been put into execution. The

export sales and advertising departments were at first openly opposed to any resuscitation of a plan which represented the equivalent of several yearly export contracts for missionary salesmen to aid in creating consumer demand abroad.

Foundation Building.—The first step was to secure through trade sources of information a list of export house magazines issued in the United States, and from his foreign branch houses copies of the comparatively few European examples. With over one hundred house magazines to study, his task was only started. Whereas he had no real editorial experience and was confessedly a novice in printing and papers, his next step was typical of his methods, as it included the sending of a sample set of his company's products to each export house organ editor, with an appeal for information and suggestions.

When these letters and sample copies had been digested he made a trip to New York to discuss his problems with export organizations and publishers of export journals. On his return he secured a conference which included the entire export department, sales department, advertising department, general manager and president. He plunged into the middle of the subject with his statement that an export house magazine could be made a highly effective adjunct to their existing foreign merchandising efforts, but that it must not be the tool of any one department or subject to passing whims of even the heads of the business.

He insisted that a house organ must be a *magazine*, not a booklet, catalog or collection of circulars. As such, it must have just as distinct an editorial policy as any general magazine, must live or die with the interest of its reader and must be edited to suit the man on the other end.

The Editorial Policy.—This creed has remained as a guiding star. The house magazine editor was selected from the advertising department, with the originator as editor-in-chief and the export manager as his associate. "Find out what our agents and dealers abroad want us to publish," was the battle-cry.

One issue, for example, did not contain a single reference to the company's products, but did give from every valuable angle the opinion of the leaders of the industry on a certain burning question caused by the War. In this symposium issue, even one close to the head of our Government did not hesitate to contribute. Paid articles by a college professor and a well-known scientist; a short, crisp comment by the owner of a line of ocean

steamships, and fifty-word suggestions by officials of an international organization, made the issue noteworthy in the annals of export house organ history. Special issues were barred by an edict. But this one issue capitalized an extraordinary condition. In general, the editorial policy included the publishing in each issue of an article by some outsider on a topic of timely interest to the industry. This series was featured. It grew to be regarded as an honor to be the monthly contributor of this leading article because of the calibre of men and treatment of subjects in the early issues.

A Popular Series.—The most expensive regular feature was a series on store arrangement (which ran through six issues), written by a former fixture sales manager who spent several weeks in export investigation before his liberally illustrated series was prepared. It proved so effective with importers overseas that they all but defeated the idea of making the series prove doubly the wisdom of saving the house magazine, by their insistence on a reprint in booklet form.

Typographically, this house organ is distinctive. It has a border designed to bring in rather than bring out the lines made; the stock used permits effective use of tint blocks; the type is used solely for the house magazine and clearness of outline insisted on absolutely.

In each issue the real meat has come in the articles—"Trade Abuses and the Dealer's Part in Them;" "The Returned Goods Evil and the Reason for our Policy;" "Collection Systems and the Danger of Bad Debts;" "Correct Uses and Common Abuses of —;" and a short, well-displayed half-page or more given over to a new line, a patented feature or a change in packing.

Testing Reader Interest.—In order to test out this export house organ, the editor-in-chief inserted in it a certificate calling for an elaborate booklet, using this before the booklet was given any other publicity. While this certificate was inserted between the center pages and no reference made to it, requests from readers in every country on the mailing list resulted.

As a further test, one new line not before announced to the export salesmen was featured in the house organ. Scores of orders were booked and hundreds of requests for samples and literature received as a result of a single page notice.

There have been few "professional" articles in late years, because the staff has learned from experts how to treat an idea—and the editor-in-chief has ideas to assign to all.

THE EXPORT HOUSE MAGAZINE THAT ACCEPTS OUTSIDE ADVERTISING

A mid-western manufacturer of excavating machinery decided several years ago to publish an export house organ. He engaged an experienced foreign language newspaper man to edit it. The name of the enterprise that was backing the house organ appeared nowhere except on the advertising pages, where it paid for its space at the same rate as other advertisers did. The house organ allowed manufacturers of non-competitive machinery to advertise on its pages. Every issue contained photographs of large construction projects in connection with which the excavating machinery in which the magazine was interested was being used. Every issue contained a human-interest article about some foreman abroad who chanced to be using this machinery, and personal notes on contractors who had been awarded contracts or foremen who had gone to work on certain jobs. It is not surprising that the editor of this magazine received letters from many contractors in foreign countries fully describing proposals which they had been awarded, asking the editor to recommend the equipment that, in his opinion, was best adapted to the work. One inquiry of this type, handled in the most conscientious way and with the idea of giving fullest assistance to the contractor, is worth to the house in actual sales the cost of editing and publishing the magazine for many months, if not years.

Supplementing the Export Salesman.—The export house organ should say the things a salesman cannot say. It should be worth reading to every dealer in its line for its value apart from information about its publisher's lines and, above all things, it should receive as careful thought as the most complicated of selling problems and the care of the most delicate of selling weapons.

These suggestions relating to the safe and sane way to introduce to the attention of the importer the manufacturer's own products, should not lead actual and potential editors of house magazines to assume that their ingenuity should be expended in an endeavor to fill the magazine with camouflaged sales artillery. Rather is it wiser to study a most successful issue of a house magazine in which the one mention of the maker or his products was the name of the enterprise as the publisher of the magazine. This was the "Panama Canal" edition of a house magazine published in New England, which was devoted entirely to the Panama Canal and its

significance. A folded map specially prepared with Spanish text and illustrations of surpassing interest were included in it.

First, last and always an export house magazine should be edited for the reader. He is the customer—and as the customer, actual or prospective, he is the outstanding figure in international commerce.

CHAPTER XXI

THE MOTION PICTURE IN EXPORT SELLING

"The most important factors in the sales process are based upon the visualization of the product itself in each of its many phases."

—Ferdinand A. Wyman, Jr.

Classification of the Motion Picture as a Selling Force. Field of the Export Motion Picture Inside the United States. Use of Export Films by Domestic Commercial Organizations. Methods of Use of the Traveling Film Outside the United States. Use of the Portable Motion Picture Projector in Exporting. Branch Office Equipment. The Export Commission House and the Motion Picture. Uses Abroad of Portable Projector. Advantages of Use by Agents. How the Motion Picture Helps the Export Salesman. Obstacles in the Use of Motion Pictures Abroad. Use of the Traveling Film in Motion Picture Houses Abroad. Educational Use of the Export Motion Picture. Possibilities in Interesting Large Consumers by Pictures.

The one great mechanical aid in export selling invented in the past century is the motion picture. It is not in itself a new selling force. It quite clearly is a form of the printed word—the "illustration-advertisement"—just as the phonograph is but a variation of the spoken word. Like all mechanical aids to selling, its effectiveness depends upon the adaptability of the aid to its purpose and upon the development of skill and method of use.

An Analysis of Possibilities.—The possibilities of the motion picture in export selling are easily divided into two major classes based on:

1. The separate film
2. The portable motion picture projector.

THE TRAVELING SEPARATE FILM

The uses of the traveling separate film alone can in turn be divided into:

1. Uses inside the United States
2. Uses outside the United States.

Export Uses Inside the United States.—At first cry it may seem absurd to attempt to find the motion picture in export selling used inside the United States. This, however, is one of

the uses of the motion picture to which the advanced leaders in export thought are paying decided attention. One of the great assets to any exporting country lies in the visits of buyers from other nations. In the tomorrow of American exporting no city in this country which places the proper value upon export selling will be without a motion picture projecting room under the auspices of a commercial organization.

It does not require a stretch of imagination to follow the sales possibilities of this plan which has already been worked out practically and in detail. Every manufacturing exporter knows the value of visits to his factories by visiting foreign buyers. He realizes, also, that only a small fraction of commercial and governmental visitors from other countries make the opportunity to visit his factories. He is, therefore, not only willing but also has a decided desire to bring his factories before the eyes of the visitor from abroad who can, directly or indirectly, add to his profits from export sales.

Service of Commercial Bodies.—In recognition of this principle, the commercial bodies in leading export centers provide a means to this end. An adequate room is set aside solely for the display of industrial motion pictures. The room is equipped with a fixed motion picture booth, platform, screen and operator. The room is ample in size to seat a delegation of foreign visitors and their hosts. In this room is contained the "library" of motion picture films which represent the industrial plants in the membership of the commercial organization. The films are supplied by and at the expense of the individual enterprises seeking export trade.

The commercial organization notifies each manufacturer whose films are listed by subjects in the "library" of the coming visits of individuals or delegations from other countries. This enables each manufacturer to supply for the occasion his trained lecturer to explain his film as it is presented on the screen. When this is impossible, for any reason, an attendant reads, as the film is shown, the text supplied in manuscript form by the exporting manufacturer.

How Foreign Visitors Select Films.—The selection of films to be shown can be left to the visitor or visitors from abroad. This is made possible in two ways. If the visitors give advance notice of their coming, the commercial organization sends a catalog of the films in the "library." This catalog is descriptive. It not

only lists the manufacturers interested, but also their products and the general nature of their films on file. From this catalog, the visitors make their selection before they reach the city, and thus enable the commercial organization to give advance notice to the manufacturers whose films have been selected.

The casual foreign visitor who has not given the commercial organization notice of his coming, nevertheless has the opportunity to choose the films covering products in which he is interested. Usually, time permits manufacturers thus favored to be notified by telephone and to send their lecturer to accompany the showing of their films.

The Traveling Separate Film Abroad.—The use of the "traveling film" outside the United States is still in its infancy. Already limited distribution is possible through private, semi-governmental and governmental releases. The Y. M. C. A. and other organizations have circuits and routings of value to many exporters. But for the present and in the immediate future the use of the traveling film will depend, for directly traceable results, upon:

1. The export salesman
2. Branch houses located abroad
3. Agents resident abroad
4. Customers located abroad.

The nature of the film and the possibilities offered in each foreign market must inevitably determine the limitations of profitable presentation.

THE PORTABLE MOTION PICTURE PROJECTOR

The use of the portable motion picture projector in export selling can be divided into the same major groupings of:

1. Uses inside the United States
2. Uses outside the United States.

Export Uses Inside the United States.—Uses inside the United States are far more varied than would be expected by the uninitiated. One Massachusetts exporting manufacturer uses his portable projector even when his foreign visitors come to his factory. These visitors are divided by him into two classes—those who can be induced to spend the time necessary to go through his plant, and those who cannot be induced to spend the hour or hours necessary to an inspection of his factory.

Both groups, however, view at least one of his films. The

visitor who is unable to inspect the plant itself is shown quickly through it by means of a screen that unrolls on the wall of the reception room and a portable projector mounted on a table which rolls out from a closet. A carefully trained assistant from the export sales department explains the film, leaving the high executives to remain at the visitor's side and to answer his questions and emphasize the important points.

When the Foreign Buyer Visits the Factory.—Even when the customer—actual or prospective—has ample time at his disposal, the portable motion picture outfit is brought into play. It partly prepares him for what he is to see by reels showing the gathering of raw materials in many countries. It affords opportunity for the hosts to learn and note the points in plant and process that are of greatest interest to the visitor. It serves as an admirable means doubly to impress upon the mind of the buyer the outstanding points of which the manufacturer wishes the foreign visitor to form and retain clear mental photographs.

The executive who later accompanies the visiting customer through the factory is thus wisely guided to give extra time to the features in which the guest has shown special interest. He is also warned against failure to spend ample time to stress features in which even the motion picture did not create, in the customer's interest, adequate recognition. In some of the largest American enterprises the motion picture at the factory is used to show distant plants, the work of which enters into the finished product. In one striking case where certain machinery, always built to order, is involved the motion picture is the one satisfactory method of explanation of the machinery in use.

Branch Office Equipment.—The use of the portable motion picture projector in export selling here at home is by no means limited to displays at the home office or factory. More and more, export executives are equipping branch offices to display their export films. This is particularly true when the home office or factory is inland and isolated—rather than located in a large exporting center. In such cases the branch offices in the seaboard cities (or the export offices if located at seaboard) are equipped to show on the screen and in motion views of plant and process in a most attractive setting.

Primarily these "seaboard" displays of motion pictures appeal in cases where the foreign visitor cannot be induced to visit the factories. But in use it has been found repeatedly that

after viewing the motion picture presentation, the visitor from abroad has found time to make a trip to the factory to see the actual machinery and processes at first-hand. This, undoubtedly in many cases, has been at the expense of some exporter whose unvisited and nearer-located plant was not visited, because of the appeal made by the motion picture of some competitor.

Branch office managers welcome the portable motion picture outfit. It enables them to show domestic as well as export films, and proves of double service in increasing sales, both at home and abroad. It is usual to supply branch houses with both a short and a complete "lecture." An assistant at the branch, in case there is not a definite employee of the export department located at the branch, is selected to display the export motion picture and to explain its message. Above all, the motion picture at the branch house should be used to make sales on the spot in case the visitor cannot be persuaded to include the inland factory in his itinerary.

Advantages for Export Commission Houses.—One of the profitable uses of the portable motion picture in export selling here in the United States comes in connection with indirect exporting. One exporting manufacturer whose product is largely distributed abroad through indirect but highly effective channels, considers his portable motion picture his best sales argument. In addition to weekly displays at the branch office in New York, this exporting manufacturer has a salesman who visits the offices of export commission houses and similar enterprises making private displays of their export reels. These private displays are by appointment. The programs make possible presentations, with talks ranging from thirty-five minutes to three hours, as opportunity affords.

These motion picture presentations have been both popular and effective. In this many-itemed line of products the increased number of products sold trebled in a year, with an even greater increase in volume of dollar sales. The export commission houses which are familiar with this method capitalize the manufacturer's equipment when they have visitors whose importations are of such nature as to indicate even a possible interest in these films. Indeed, so compelling has this use of the motion picture proved itself that it will be surprising if export commission houses do not set aside special motion picture rooms with fixed projectors and a library of films.

Display in Hotel Rooms in Sea board Cities.—There are many other uses of the portable motion picture projector for export selling inside the United States. These include displays in hotel rooms when the inland export manager comes to sea-board to meet foreign customers on arrival; displays at times when international trade conferences are held and visitors from foreign countries are present in large numbers, and displays before visiting foreign delegations and commissions and exhibitions at export conferences and in connection with trade association conventions. Each year will disclose new possibilities.

THE PORTABLE MOTION PICTURE PROJECTOR OVERSEAS

The most valuable single division of use of the motion picture in export selling is unquestionably in connection with use of the portable projector outside the United States. The portable motion picture projector lends itself to use by:

1. Branch houses abroad
2. Agents and agencies abroad
3. Circulating from customer to customer abroad
4. The export salesman.

The first three divisions are all but self-explanatory.

Use by Branch Houses Abroad.—The branch house abroad uses the portable motion picture projector in the same manner as does the branch house in the United States. It uses it to display films to the visitor, and it takes it to the export commission houses. It also uses it in connection with its travelers along lines identical with those later described in connection with the export salesman reporting to headquarters in the United States.

Capitalizing Exclusive Export Agents.—There is a steady growth in the use of the portable motion picture projector by the enterprises which depend largely or wholly upon exclusive agents resident abroad. More and more the tremendous aid of the motion picture to the foreign agent is coming to general appreciation. From the standpoint of the manufacturing exporter this use of the motion picture has compelling advantages. First of all, the method of presentation is still unusual in many major markets and unique in many minor markets.

The use of the portable motion picture projector thus adds novelty to a full and accurate presentation of the exporting



FIG. 14.—Montgomery Ward in Dutch.



FIG. 15.—The general store in the background is faced with mail order competition.

manufacturer's message. The known shrinkage in forcefulness of presentation of the exporting manufacturer's sales message by any method other than the motion picture and the export salesman is appalling to the close student of exporting. The typical agent abroad represents several lines. He cannot possibly master all of the intricacies of each product he represents. His memory of the major and minor points of manufacture alone must diminish, even when the best of educational coaching is continuous. The motion picture film not only gives the message accurately and completely, but also serves to refresh constantly the memory of the agent. It supplies him with a sales medium that saves his energy. For it attracts favorable attention of the agent's clientele and goes far toward creating desire for possession. Thus the agent's selling powers are conserved for the all-important closing of the actual sale of merchandise.

Routing the Portable Projector.—The use of the portable motion picture projector routed from customer to customer in non-agency lines has been used so far only in a closely limited field. In this field, however, it is the one solution (other than the visit of the personal representative) that fairly solves certain difficult problems. In many machinery lines the assembling, use and repairs are most difficult to cover fairly when thousands of miles separate maker and user. The portable motion picture projector, with films made solely for the purpose of solving these problems, is comparatively inexpensive. The correct assembling of one complicated machine is insured by a film and projector which shows step by step the proper method. As the film can be stopped at any point, the user of the machine can build it up section by section, sure that each step is correct, and without loss of time.

Displaying Machine Attachments.—Similarly, the varying possibilities of use of a machine with different attachments can best be shown by the motion picture. Many modern machines have exceedingly diverse uses. The most explicit of explanatory booklets cannot rival the use of the motion picture supplementing booklets which are written to collaborate with the motion picture. The correct method of repairs and the correct installation of machinery is another wide field for the portable motion picture. In territories where service bureaus cannot be profitably maintained the portable motion picture projector is often given outright to a customer, together with from one to twenty special

films designed to cover all usual and many unusual happenings to the machine.

The experiments in routing these portable outfits from customer to customer have been successful only when confined to cities where a motion picture specialist can examine the projector and film on arrival, and superintend the film display. With the increasing simplicity of portable outfits and their greater durability there can be no question, however, that present-day difficulties arising from shipment from city to city will disappear. Formalities attendant upon entry and dispatch at port will be so lessened as to expand greatly this type of use of the motion picture.

The Export Salesman's Assistant.—The portable motion picture projector is the one great addition of the past fifty years to the export salesman's equipment. By far the most valuable aid to the salesman, with the single exception of his samples, the portable motion picture has multiplied rather than merely increased the effectiveness of many phases of the export salesman's work. The portable motion picture projector dignifies the salesman and the enterprise he represents. It sells the institution as well as the product. It convinces the importer abroad of the standing and responsibility of the manufacturer. It portrays the equipment of the manufacturer in a way that passes any possibility of words or "still" photographs.

From the standpoint of the large and responsible manufacturer, the export salesman equipped with the portable motion picture projector has exceptional advantages. With such equipment, size of plant and investment is proven in a way that must be taken at full value. It enables a leader in an industry to display his leadership without boastful claims. It enables the large manufacturing exporter to differentiate himself from the smaller rival less careful in his claims. It supplies exactly the right background for important orders. It removes any reason for over-cautious ordering of sample shipments. The better-informed American manufacturers of today fully realize that many beginnings based on trial orders are the reflection of the importer's mind of the size of the exporter's enterprise. The order itself results from conviction of worth of product. The size of the order depends upon many factors, one of which is always the responsibility of the exporter. No importer hesitates to place one true stock order for products in

which he has confidence, when convinced that he is dealing with an enterprise whose size proves a general excellence of method as well as of product.

How the Salesman Uses the Portable Projector.—The uses of the portable motion picture projector by the export salesman include:

1. Private displays before principals
2. Store presentations before the staff
3. Semi-public displays before an assemblage of dealers
4. Semi-public displays before users
5. Use of film only in motion picture houses as part of regular motion picture program
6. Displays on shipboard
7. Semi-public showings under auspices of educational institutions.

The methods of use of the portable motion picture projector by the export salesmen of a leading New England exporting manufacturer have so much to commend them in theory, practice and favorable results that they are described here in detail. The initial showing each trip is on ship-board, either as part of regular entertainment or as a semi-private entertainment with the salesman as host and lecturer. This has proved in many cases to lead to meeting importers returning to their home cities and at a time when they are most receptive to sales suggestions. This New England manufacturer made one connection abroad as the result of a shipboard showing that will pay in profits *each year* more than the entire cost of the entire motion picture equipment of all export salesmen and all branch houses.

Arranging for Displays.—The export salesmen, on arrival at each city, pay their courtesy visits to each customer. On this round of visits they arrange for an individual showing in their local hotel room of the film or films carried. Each trip, at least 1,000 feet of new film is added, so that each trip there is a new appeal to the interest of each importer. At these private showings, which are only for the principals of each importing enterprise, definite engagements are made to show the films at the importer's establishment before the staff of employees.

This second showing is highly important because it sells the idea of preference to the whole organization of the importer. It acquaints every member of the importer's staff who is considered in any way interested with the story of the exporting manufacturer, the manufacturer's products and his policies.

It supplies a reason, rather than an excuse for a talk to all department heads, buyers and clerks. It tells the exporting manufacturer's story in a way that insures remembrance and acceptance by lazy as well as alert minds. It provides a topic for discussion among the importer's salesmen long after the salesman has departed. It sells the idea of *selling* as well as buying the products of the manufacturer.

Public Showings Before Dealers.—In some important centers and with lines which appeal to a wide variety of trade outlets the export salesman can wisely supplement or replace private showings in stores by a public display before an assemblage of dealers. This is exemplified in a line that is sold generally by hardware, dry goods, grocery, drug, machinery, automobile accessory, book and other stores. In Buenos Aires the wholesale and retail outlets in these lines worthy of consideration total over three hundred outlets. Each year the traveling representative of this enterprise rents a hall that seats over a thousand, and decorates with his own display material. Engraved invitations bearing his name and that of the American manufacturer are delivered by messengers to his entire list of customers and prospective customers, and in many cases to retail customers of his wholesale customers.

The motion picture display includes a popular non-commercial picture to cover the period while late-comers are arriving, and then continues for a solid two hours. Incidental music and descriptive addresses are used so successfully that the time passes quickly and the display is over when the audience would welcome even more footage.

Creating Consumer Demand.—One of the most effective methods of consumer advertising in many cities abroad is open for the salesman through semi-public displays with the motion picture projector. The best practice is based upon free distribution of tickets by interested dealers to their customers of record. These semi-public displays before users who are selected by dealers afford the salesman the opportunity to interest many more users than could otherwise be attracted to a single meeting. In many lines such showings pave the way admirably to an exceptional opportunity for demonstration of the actual product and for most effective sampling. An integral part of an intensive introductory campaign, they supply a sales medium without equal.

With the amazingly rapid strides in the art of commercial motion pictures it is now entirely possible to present films which appeal to a general audience to a degree that makes them acceptable to the proprietors of motion picture houses. The good exporting manufacturer often has special films taken with this one object in view, so that his export salesman may capitalize every profitable angle of the export use of the motion picture. Armed with such a film, usually not over 1,000 feet, the export salesman can secure a free daily showing while he is temporarily resident in a city. It must be emphasized that the film rather than the salesman will inevitably determine its acceptance or rejection for this type of showing.

The Motion Picture in Educational Institutions.—Modern education, abroad as at home, has found in the motion picture a wonderful medium. Today only the most technical of products is unwelcome in the classroom. The export salesman of today turns as naturally to find educational outlets for display of his film as he does to find newly established prospective customers. More than one important contract for school supplies has been secured by these showings. Thousands of school children have been given exactly the right foundation by these displays, on which the manufacturer can build a life-time of preference for his products.

Even such an imposing list of uses of the portable motion picture projector in the hands of the export salesman by no means covers its entire field. Many products lend themselves to valuable individual displays before users for the benefit of trade outlets. One American manufacturer's export salesman visit each bank in company with a dealer's salesman. In each bank a showing of a film is made, that directly ties up the bank with the device thus displayed. Sales upon sales have been made to users by use of the motion picture in the hands of the salesman, when without the excuse of motion picture presentation all other efforts had been seriously handicapped.

Improving the Export Salesman.—The portable motion picture projector has enlarged the sphere of action of the export salesman. Close students of the salesman and his work have known for at least three decades that his success is based upon selling one man at a time. Since the salesman's daily bread depends upon his ability to enlist, hold and increase to the selling point the interest of one man at a time, he has become a specialist. As he

perfects his specialty and seldom is given the opportunity to address more than one man at a time, he loses rapidly whatever latent ability might have existed in himself to be a successful speaker before a larger audience. Many excellent salesmen who are most entertaining conversationalists are disastrous failures when forced to appear before an audience of even a dozen men.

This truth was accepted at the outset as limiting most narrowly the use of the portable motion picture projector by export salesmen. It was considered as axiomatic that the salesman's explanatory comments on the film as it developed on the screen must be limited to appearances before a group of dealer's clerks. It was all but taken for granted that the picture alone and of necessity would supply the only sales appeal before a larger gathering. But in practice, all of these prophecies have been proved to be entirely incorrect. Export salesmen who have with greatest reluctance appeared on the platform, have found it altogether an easy task to accompany with words a picture on which the attention of a gathering was focussed. The moment salesmen discovered for themselves that the spectators were looking at the display on the screen and all but unconscious of the lecturer, a new era of the export use of the motion picture came into being.

How Salesmen Are Made into Public Speakers.—After even a single appearance with his film the export salesman found great peace of mind. He lost self-consciousness, not only because the spectators focussed their eyes and a great part of their mental attention on the screen presentation, but also because he, too, was busily engaged in watching the development of the picture. The scenes portrayed, by their very familiarity, steadied him and made his talk a pleasure to him instead of a torture. Doubtless the semi-darkness is also a psychological factor.

One of the great assets of the portable motion picture projector lies in the very fact that it quickly and thoroughly convinces the export salesman of his ability to address easily and convincingly an audience of any size.

Brief mention has already been made of the wonderful advances in the art of commercial motion pictures for use in export fields. Comment in earlier pages has pointed to the possible variety and nature of the pictures themselves. This phase of the use of motion pictures in export selling is altogether too important to pass over with scanty consideration. To the expert carpenter,

the mere possession of a chisel and knowledge of method of use is only a beginning. Each chisel must be adapted to the use to which it will be put. In sharpness of edge, in width of blade, in handle and in steel it must fulfill exacting requirements. Similarly, export motion pictures must be built for and adapted to the uses which will be found for them in foreign fields.

The Motion Picture as a Salesman.—It is a far cry from the earlier eye-torturing motion pictures which merely showed a section of a manufacturing floor and a “close-up” of a process, to the commercial pictures of today taken with the purpose of conveying a series of sales messages. The motion picture in export selling is a salesman as carefully selected, corrected and developed as its human counterpart. A selling science and a definite technique has been brought into being in the use of the spoken word and written word in export selling. So, too, has there been brought into being in connection with the use of the motion picture in export selling a scientific base and a definite technique which all exporters must study and master before the most profitable results can be secured.

Gathering Raw Materials.—It cannot be stated too emphatically that the motion picture in export selling does not begin and end in showing how the product is made. This truth can be driven home by a description of the type of films which are the best profitmakers. One effective series enlists the interest by the division of the main film into four distinct parts. The first shows the gathering of raw materials in the four quarters of the world. Caravan trains and dug-out canoes vie in creating the right atmosphere with mining scenes and jungles in far-off countries.

Manufacturing and Assembling.—The second set of reels is devoted to the manufacture and assembling of the finished product. Here silent salesmanship is at its height. Thus is the care in manufacture directly sold to the spectator. The marvelous accuracy and economy of the exclusive machinery is indelibly portrayed. The facilities for exporting and the correctness of each detail in export packing are made an object of visible proof. Even the existence of a world-wide trade is indicated by views of various divisions of the export traffic department with “close-ups” showing shipping marks on cases destined for markets large and small wherever men live and buy.

Transporting Merchandise to Importers.—The third series of reels shows products on the way to and in use in foreign markets.

Bullock loads and ox carts are seen in Ceylon, South Africa and in the Philippines; camel loads are seen in Tunis and West Australia; elephant loads in India are followed by dashing three-horse hitches in Russia, and the llama and the all-important mule are shown to emphasize the importance of the export sales in South America. Into offices and homes in every nation these films take the spectator to show the product in use. Each time the display exhibits its picture from a sales angle.

In the Foreign Dealer's Store.—The fourth and final series in this export film shows the product in sale in dealer's establishments abroad. It shows the building up of window displays in Punta Arenas and in Iceland. It shows novel aisle table, counter and shelf displays in Buenos, in Honolulu, and in Japan. It shows the method of sale and, with a salesman's eyes, takes the spectator into the intricacies of merchandising in market after market.

The Future of the Motion Picture.—This is but one series of films. The series is designed to be the basis of a motion picture display. In addition, films are taken especially to interest the user. Still others are based on scenarios written for the school child, the college student and the educator. Beyond these, the entire wide fields of comedy and drama are employed to convey selling messages. One comedy scenario called for an outlay of over \$24,000. One commercial drama is based on a most thrilling plot, and for presentation in six absorbing reels.

Fully equipped with the utmost that the film and screen can make possible, the export department of today, and particularly of tomorrow, will depend more and more upon the motion picture to smooth the road to export profits.

CHAPTER XXII

SAMPLES IN EXPORT SELLING

"Whenever an enterprise can use samples in its export selling these should form an important part of any sales campaign."

—Direct Exporting.

Fundamentals of Sampling. How They Can Be Distributed. European Use of Samples. Example of Loss through Poor Packing of Samples. Visualization of a Salesman's Samples in Use. Excellent Sample Displays Described in Detail. The Exclusive Agent and His Samples. Why Samples Increase Sales. Creating Consumer Demand by Sampling. Examples of Sound Consumer Sampling. How to Turn Consumer Inquiries into Dealer Orders. The Psychology of Sampling. Sampling Combined with Advertising. Specimen Campaign Based upon Coupon Advertising. Rules Governing Profitable Distribution of Samples.

No matter how complete the verbal description, or how many colors may be used to illustrate an article, these fade before the actual—the product or its miniature. The sample is tangible. It is of three dimensions and demonstrates itself. It is an actual specimen; it is the proof of the seller's honesty of statement, it is a concrete reason for purchase.

Judicious use of samples is the main reason for many striking successes in American exporting. Comparatively few have recognized the compelling power of the sample and have given their possible uses the careful study they deserve. These few consider them so powerful as sales weapons that they invariably make them an essential part of any well-balanced campaign in lines which permit their use.

User's Classified.—From the viewpoint of the American exporters the wise user includes distribution to:

1. Salesmen
2. Agents
3. Wholesalers
4. Retailers
5. Consumers.

Importers abroad rightly expect the salesman, where the nature of the product permits, to give them more than a word picture or a catalog illustration to guide them in their purchases.

Today, as always, the dealer abroad is sold on the idea of buying from sample on far more lines than shoes and textiles. The very fact that the dealer demands samples to be shown by direct salesman is a fact to which far more weight should be attached than the average export manager seems willing to admit.

European Achievements.—It is true that in years past the Belgian and the French travelers have carried samples more attractively packed. It is true that the English machinery samples in particular have been displayed in a manner which appealed more strongly to the mechanically inclined. It is true that the Italian travelers carried the exhibition idea as against the sample idea far beyond any American traveler—if we except the dozen American exporters who, from their export start, have outranked the entire field in the use of exhibition-sample methods.

It is, indeed, seldom today that an export manager pays adequate attention to the background of his samples. Salesmen are frequently equipped with trunks and these trunks filled with samples attractive in themselves but absolutely without material for their proper presentation. This fault will prove a serious handicap with the return of active competition and the coming of a normal buyer's market. There is a world of difference between goods bought and goods sold.

As an illustration of this fault, an export manager in New York by chance pointed to a trunk in which, he said, were the "elaborate" samples the salesman would carry on his trip. The trunk was locked and strapped ready to go on the steamer, but the export manager graciously yielded to a whim and had it opened up. It was, indeed, an interesting sight. The trunk was filled to the brim. The top layer was of samples in holiday "pretty girl" cardboard boxes.

Costly Packing.—When a box was picked out of the top layer, it rattled! It may seem incredible, but from top to bottom the trunk was filled with samples free to slide back and forth with each wavelet, samples so heavy that the boxes would literally have been macerated before their journey's end. To make matters worse, no provision had been made for breakage and soilage. The samples were "one of a kind" even in the most important lines. Absolutely no thought had been given to the display of the samples. Not a single display fixture, background or sign was in the outfit.

When this export manager's attention was brought to focus

on the function of the sample, he solved all minor problems in his characteristically correct way. The major fault was not lack of interior packing of the samples; it was the export manager's failure to visualize his samples engaged in the world-old game of selling goods. Until brought to realization of error, he merely saw some exceptionally attractive "holly and pretty girl" boxes. It was not until in his mind he traveled with those samples and saw himself in his hotel room in Bombay after thousands of miles of travel, facing the buyer for John Collins, Ltd., that he saw the sample trunk as a sales force.

Repairs Made Simple.—Now he has a trunk of repair, replacement, background and display material for each few trunks of samples. Visualize the difference. The first picture is of a hotel room with samples in once attractive but now soiled and damaged boxes. The second picture is a table 8 feet long by 4 feet wide, covered with a purple velvet, rich in color and depth of pile. The background display shows a night scene on the North River looking eastward toward New York's skyscraper sky-line. The score of fixtures of graduated height, placed according to the layout of an expert, hold products freshly retouched in immaculate cartons. Mirrors reflect and multiply the display.

In many lines the samples carried by the salesman must in truth be carried by him. Not always and not everywhere can each buyer be given a private display in an adequate manner in a hotel room. Very often it is wisdom to show samples in direct comparison to less attractive goods on the importer's shelves. But this frequent truth does not excuse lack of background for samples.

An Excellent American Sample Set.—One of the most attractive and durable salesman's sample sets is for a matter-of-fact line every-day office supply. These samples are in trays made of black pin seal with heavy silver-plated fittings. The inside is lined with the darkest of heavy green velvet. Each bottle and package is mounted to set off its attractiveness. Each case is designed to meet the needs of the particular territory to which it will be carried. Each tray is built by a craftsman who designs and executes the display cases of fashionable jewelers. Even the strap which makes it easy for the individual sample to be lifted from its setting, is of heaviest silk, perfectly matched to the velvet. An extra supply of labels, cartons and parts is carried in the case in a specially built wallet type of container. A minia-

ture dustless duster, sample size can of polish and burnisher supplied the finishing touches to an admirable outfit.

The sample should be made, by its surroundings, to stand for the ability and the dignity of its maker. The salesman's samples should back up his words, "You will find first sales easily made because of the attractiveness and convenience of the package, while your steady profit will come from the constant stream of re-orders due to the merit of the product in use."

SAMPLES FOR AGENTS

What becomes of the samples sent to agents abroad? If they are adequately displayed, is it more than good fortune? Hardly half-a-dozen exporters in the world have given a tithe of their attention at any period of their sample interest to the proper display of samples by agents. In lines as varied as tractors and pen points it inevitably develops that the larger the unit the more nearly adequate the display. Pianos, automobiles and motor boats cannot be slighted and placed out of sight—hence they receive at least a part of the attention their size compels. But it is a tribute to the export art of selling phonographs to be able to record their almost invariably good displays from Mexico to Ceylon. When the product drops to smaller size, any worthy display is usually a tribute to the agent rather than to forethought of the exporter. In the so-called headquarters of manufacturers' representatives the display of American-made products commonly reminds one of a junk shop, simply and solely because samples are sent without the slightest conception of their use.

Exporters who write the copy and prepare the layout of all advertisements in local papers because they fear that their agents are not advertising experts, blindly ignore the fact that dozens of good business men can write effective copy to *one* who has the peculiar ability to display samples to advantage. Display layout and material is a matter for an expert. There is no more reason why an export manager or his agent should be an adept in display than that a casual checker-player should know all the variations of an intricate opening.

Attention-arresting Values.—The first fundamental of the display of samples by an agent is that it shall attract favorable attention. Even this primary objective is repeatedly ignored.

Favorable attention is not alone a matter of immediate background. For years there was in Manchester a handsomely framed display of American tool parts so hung that only the maker's name was distinguishable. To know more of the excellences of the product would have required the perilous climbing of a 12-foot stepladder! Similarly, in North Peru there is a wonderful cabinet of beautifully finished walnut hidden in a corner behind a counter. What it holds no one can tell without invasion of sacred ground.

Before the agent can sell, he himself must be sold the idea of selling. Before samples will be adequately displayed by the agent he must be sold the importance of proper display, and be given both the means and the incentive for proper display. It is not with the idea of advocating elaborate cabinets and other display fixtures that this point of "means of display" is made prominent. It is with the idea that, until maker and agent work intelligently toward a common end, the sample will be lowered from its high position as a selling force.

Securing Preferred Positions.—Display of samples by the wholesaler frequently lies in the hands of an employee seldom seen by the salesman, who confines his attention to the buyer, the management and the clerks and salesmen who handle his goods. Abroad, as at home, there is usually an employee who cares for and arranges for the displays. He is a man well worth knowing. The highest shelves and the darkest and most inaccessible corners are rightly the portion of the newcomer, unless there is some proved reason for better treatment of samples. Old-time export salesmen never overlooked this intensely human side, and placed a proper emphasis on the display of samples by wholesalers. They were not averse to spending a Sunday with a carpenter and the stock-sample clerk. They knew the art and made it easy to give their lines prominence, even when it meant rolled-up sleeves, moving some other line, piece by piece, with the thermometer registering 110°.

One salesman of this type guaranteed an American manufacturer two hundred displays in good locations by just this "strong right arm" method, and added, "Once when I put them, they stay there. Sample spaces I earned a dozen years ago still carry the same lines, changing only as I change them." What modern salesman, with all his accomplishments and all his coaching, can truthfully make such a boast?

MODERN DEALER SAMPLING CAMPAIGNS

One of the most interesting tests of the value of sampling the retailer was conducted by a Massachusetts manufacturer during 1912, 1913 and 1914. It is almost an axiom of export selling that for makers of a wide range of products the best prospective customers are actual existing customers. As one export manager expressed the thought: "If we could sell every one of our present dealers every one of our products, we would have an export sales total beyond our fondest dreams." The Massachusetts manufacturer came to his decision to test sampling his existing customers because of an elaborate analysis which proved that of his seven hundred-odd items in his forty-odd products, the average number of items purchased per customer was eighteen, divided among an average of four products. This highly significant analysis opened his eyes to wonderful possibilities.

His first step was to design a new type of sample outfit. This was a mission type case 36 by 24 by 30 inches, with a hinged cover and ends and a drop front. This case was suspended by canvas straps in a heavily built packing case. The interior case was lined with a heavy brocaded silk that formed a striking background for the hundred samples which were fitted by a "sample tailor" and held in place by pockets and straps of the brocaded silk. For all the elaborate fittings, the product itself was as prosaic as shoe blacking or twist drills. With each outgoing order for these three years one of these sample sets was sent, comment other than this one sentence: "With your order without you will find included a sample set containing many items by which very possibly you can increase your profits."

Profit Making by Sampling.—The results were far beyond hopeful anticipation. It was a commonplace to this maker to have on the first order following receipt of the sample case forty new items. In only twenty cases out of nearly four thousand was there no proof in the form of added items that the samples were not wonderful salesmen. *The elaborate sample cases in the first three years paid for themselves twenty times over.*

There is ample testimony that similar results are being obtained by other able export managers. The yearly investment in samples of from \$1,000 to \$50,000 by exporters with only modest sales volumes, and their subsequent startling growth, is well known to the initiated. One quiet export manager, in connection with a



FIG. 16.—The centuries meet in the Philippines. Motor truck and bullock haul away the American Crayon Company's products from docks in Manila.



FIG. 17.—New England Valves in Bombay's bazaars. Walworth Manufacturing Company demonstrating its products in India.

discussion of sampling, had a clerk bring up files of shipping orders. In one case, on an initial order for only \$50, there was included samples of twenty-six products costing over \$100. Then he showed the repeat order, which included every one of the twenty-six products sampled. The order totalled over \$12,000! This exporter is disappointed if his samples do not prove highly effective in variety and quantity.

CONSUMER SAMPLING

Consumer sampling is an art in itself. In export trade its greatest and soundest use is to create demand through established trade outlets. It is built around the American idea of sound sales assistance to dealers. It is almost exclusively and certainly typically American to consider a sale incomplete until the goods he has sold a dealer are in the hands of the ultimate user.

Example of Good Campaign.—The details of a campaign to create consumer demand for the benefit of dealers in the lesser markets of the world are worth careful study. An American exporting manufacturer secured from dealer agents in these markets lists of the fifty, one hundred or three hundred leading users. In each case the name of the buyer was given, as well as the firm name and street address. For the making of this list the dealer agent was paid five cents gold per name.

With the first shipment following the receipt of the list from the dealer agent, a case was sent containing the samples. These were in the form of neat cardboard boxes, each containing 1-ounce bottles. Each bottle was labelled in the language of the country of destination, with text that pointed out the peculiar merits of each product. The box containing these samples bore a label, "Samples presented with the compliments of——." Then followed the dealer agent's name and address.

Important Details.—Each set was wrapped in a heavy white bond paper with the elaborately fluted folds. It was tied with gold cord. A gold-bordered label bore the typewritten name (not address) of the consumer. These sets were arranged alphabetically in the case and so packed, and divisions separated them so that any set could be removed without requiring the unpacking of the entire case. The maker paid all freight, duty and other charges, delivering the samples, free of all cost, to the dealer agent's door.

The same steamer that carried the samples also bore letters under first-class postage to each user whose name appeared on the dealer agent's list. This described the general line of products made by this manufacturer, sold the idea of the responsibility of the enterprise and of the size and rigid standards of its laboratories. Nothing was said of the samples, for the very good reason that many times and in many places goods are not cleared quickly.

Interesting the Consumer.—The following steamer brought the first letters regarding the sample. This explained that owing to postal regulations governing the transportation of liquids in the mails it was impracticable to send direct to them a miniature sample set. So, the letter continued, they were availing themselves of the possibilities of service offered by the presence of—, the dealer. Indeed, the sample set for Sr. Blanco had been included in a shipment to this dealer who would gladly accept this very letter as his instructions and authority for giving the set to Sr. Blanco when he called.

The enclosure, in natural colors, showed the various sizes and styles of containers and tied up to the letter by a semi-technical description of each of the three products.

The Agent's Part.—When Sr. Blanco called at the dealer agent's establishment and presented the letter he was doubly welcome. He was told that the manufacturer had written of the matter and that the sample set was safely on one of the private shelves, from which it would be at once secured. The agent's most effective clerk took advantage of the moments available while the sample set was being brought to the front of the store. He pointed out the attractiveness and convenience of the larger sizes—using a demonstrating set of samples to illustrate his points.

The sample set, purposely small, accomplished three vital tasks:

1. To attract favorable consumer attention
2. To make the dealer co-partner in selling effort
3. To bring the user into the dealer's establishment.

Following Up the Samples.—By each succeeding steamer the maker sent, for several months, either letters under first-class postage or attractive bulletins in colors. Two weeks after the delivery of the samples a well-coached clerk was converted into a salesman and sent to ascertain in person the result of the user's

tests. He carried on this trip demonstrating samples of other products made by the American enterprise. Note that samples play a triple role in this sales effort.

It is interesting to know that in many cases every single sample was called for in person. In only one case did less than 6 per cent fail either to call for or send for the sample set. In this one case the dealer agent was responsible because he sent the manufacturer a poorly checked directory list. One of the most pleasing results came in the dealer agent's own greater activity. This type of campaign, modest in every way, nevertheless has the "play spirit"—a force that sells more goods than all scientific sales formulae ever invented.

A "HEAVY ARTILLERY" CAMPAIGN

This rapier-like campaign can be contrasted with sampling when used as heavy artillery. Sampling can become an altogether deadly weapon in the hands of an exporter willing to place upon the broad shoulders of the sample almost the entire burden of the sales campaign. The product in this second type of campaign is a patent cooked breakfast food. This "heavy artillery" campaign is used in markets in which many breakfast foods already enjoyed varying favor. The exporter found that the dealer in a certain city refused to become at all enthusiastic over his portrayals of his breakfast food. Not one cared to stock heavily, so his agent—a manufacturers' representative—reported. Price, quality, deliveries—not one of these seemed to offer any solution. Demand did not exist. No dealer cared to aid in creating demand.

At first the exporter thought only of advertising. He even secured options on indoor and outdoor displays, motion picture privilege and newspaper and magazine space. Soon he felt that these would be a part, but only a part, in the campaign in which the sample was to be the dominating note. The agent first of all hired an able salesman who made a flying house-to-house visit merely to get names. To this list he added all hotels, restaurants and clubs. He then broke all his rules—for he was strictly a manufacturers' representative—and placed a heavy stock order to be warehoused.

Mass Attack.—The sampling campaign did not touch the dealer at the beginning. In fact, the start was as brutal as a

bludgeon. It consisted of the delivery, free of all charge, of a three months' average supply to 800 households, and of at least a two months' supply to 1,200 more households. This was in the form of standard-sized packages in cartons of one dozen packages. It was regular stock, differing only in the fact that each large carton contained a most attractive booklet illustrated in four colors, showing various uses of the breakfast food and a three months' menu for the average family. This contained many receipts and colored reproductions of attractive dishes.

Immediate Results.—This mass attack brought about two important conditions:

1. Immediate consumer cessation from buying breakfast food
2. Gradual demand for the new breakfast food as samples were exhausted.

When the second stage could be seen even in the distance, the agent sent a crew of consumer salesmen to solicit orders in behalf of the retail grocers. These men met with the usual success of any good consumer crew in all ways but one—they achieved an unequalled record for orders *in case lots*. Consumers who had been given from three to a dozen *cartons* had been taught to think in large quantities and had come to know the advantages of an ample stock on hand.

The breakfast food maker's agent had no difficulty in securing large stock orders from dealers when he "turned over" these consumer orders. The trade knew that demand for other brands had all but ceased; it knew that the new breakfast food has been called for by name frequently for a month past, and, above all, they were impressed by the size of the orders from customers who ordinarily bought breakfast foods a single package at a time.

SAMPLE REQUESTS FROM ADVERTISING

Every export journal is thoroughly cognizant of the low value advertisers place upon consumer requests for samples. It is a fact that many exporters, novices and veterans alike, consider consumer sample inquiries as valueless and do not even acknowledge them. Some exporters even object to receiving such inquiries and, regardless of the number of trade inquiries received from an advertisement, protest if even a single consumer sample request is found in their mail.

Turning Consumer Inquiries into Dealer Orders.—As a matter of cold, hard fact, one of the best tests of an export manager is his ability to turn a consumer inquiry into a dealer order. The export manager who fails to make the attempt is indeed lacking in sales instinct. To prove this point, more than a hundred export managers in the United States have received long-hand letters written in unusual English, unusual Spanish or a mixture of both. All of the good export managers found that the writer of these letters was the inmate of an asylum for the feeble-minded in one of our sister republics. Only four export managers recognized the possibilities of the situation, secured the interest of the asylum in their products, and in the final step secured an order from a pleased dealer to cover its annual requirements.

The psychology of sampling is based on the worth of the expression of confidence by a maker in his products. This expression reaches its height when he says, "Here is my article. It is its own best argument for your preference. You test it yourself, under your own conditions. Test it for excellence. Test it for adaptability. Test its profit margin. Test its saleability. Test it. We leave all to your test."

An Illuminating Experience.—A manufacturer of shoe machinery received an inquiry from a large English shoe manufacturer for samples and quotations on a revolving knife used in a certain machine. The letter stated that they were using a knife made by a German maker which was giving them fair satisfaction, but that they hoped to secure better knives, better prices, or both. The letter promised prompt, full and rigid tests of any samples sent.

The American maker had a knife that even after hard use really cut and not tore the leather. It was most decidedly better than the German product and rightly commanded a higher first price. In length of life, as well as in character of work, it excelled to such an extent that any shoe manufacturer could easily afford to pay the price rather than pay one-third the price for the German article. While the export manager knew this from repeated tests, he sent to his "competitor's museum" for two German knives which, like his own, bore no brand name except on the envelope in which each was packed.

In sending the samples, a side-by-side test was urged. The American was most modest in his claims. It was not a large order that resulted. The letter which accompanied the order

explained the reason. While the English shoe manufacturer admitted that the American knife was better and worth the price, he felt a trial order wise, because the price was higher and only barely counterbalanced by the points mentioned in the letter.

Capitalizing a Mistake.—Immediate suspicions proved correct. The wrong samples had been sent. The export manager had asked the English shoe maker to test the German's own samples out of his "museum" against exactly the same knife. But because of his confidence (as shown in his letter) the English maker, even in a side-by-side test, had seen what he had been told he would see. Needless to relate, the order was filled with American knives, and the further tests urged proved so clearly the advantage that the American manufacturer earned their entire business.

Use of Advertising Coupons.—One of the most effective export advertising campaigns of a decade ago was based squarely on the worth of sampling. One well-remembered full page advertisement, which was always run on a right-hand page, gave the entire right quarter of the page to coupons calling for samples. Four of the eight coupons were for consumer's use and called for liberal sample sizes in return for the equivalent of thirty cents gold in postage stamps of the country of the sender. Thousands of these coupons were returned, some ten years after the original advertisement appeared.

Four of the eight coupons offered samples to dealers. These samples were sent prepaid and without charge when coupons were accompanied by the dealer's letterhead or business card. The surprising result of this offer was the calibre of dealers that sent in the coupons. Particularly in Latin America, some of the most important importers, enterprises with millions of capital and in at least one case a century of history of square dealing, used these coupons for test samples.

The third and separate offer used in this campaign was to send an elaborate sample set with goods having a retail value of \$15, absolutely free, f.o.b. export steamer, New York. As this sample set required only about 4 cubic feet, it was suggested in the advertisement that the sample set be included with other goods coming forward via New York. The only restriction in regard to the offer was the statement that it was intended for dealers in the mentioned products or dealers willing to consider seriously the re-sale of such products. As a matter of history,

the sample set was sent in every case where a dealer accompanied the coupon with his letterhead or business card.

Results of Tests.—It will be interesting to those giving increasing attention to the use of samples, to note how many sets were sent in response to this type of advertisement? Seventy sets were sent direct in response to the first full page in Magazine "A." Repeated in a half-page space a month later, over eighty requests were received. A year later, the same full page in the same magazine drew well over two hundred twenty responses.

The most valuable part of the "\$15 sample set campaign" came through the securing of decidedly worth-while customers in many interior cities. In at least seventy cases these names were not so listed in any trade directory as to be listed even for the broadest of circularization campaigns. Any five of these seventy dealers thus secured have since bought in large enough quantities so that the profit from their purchases would cover the entire cost of the early advertising. One of the "coupon senders" is now the valued agent of the manufacturer. Another is a sub-agent covering a much neglected market. A third specializes on government orders in his country, and his activities have led to a special government formula which is the year-in and year-out exclusive property of the manufacturer. It is almost a perpetual contract.

A COUPON SAMPLING CAMPAIGN

The original full-page advertisement had eight coupons attached. The upper four coupons were the consumer coupons. By distinguishing the line mildly as "toilet preparations," names can be given the four coupons—"Bay Rum," "Violet Water," "Full bloom Rose Tale," "Sandal Incense Soap." The sample sizes of each of these four regularly retail in the United States for ten cents.

The exporter's first step was to offer these ten-cent samples for thirty cents. The extra twenty cents paid for mailing case, packing, postage and clerical expense. It also freed dealers already stocked from grounds for criticism, a point which can well be emphasized.

These four consumer coupons required, in addition to the price of the samples:

1. Sender's name
2. Sender's address
3. Dealer's name
4. Dealer's city.

Securing Dealers' Names.—In the rare cases when a consumer sent his thirty cents in stamps and his coupons with his own name and address, but without dealer's name and city, the consumer was written, and written again, until the name was forthcoming. Out of the literally thousands of consumer coupons which came to the exporting manufacturer as part of the campaign, less than ten cases ultimately refused to give "name of dealer."

By the same mail that carried the consumer's samples an identical set went to the dealer mentioned, unless the dealer was not only already a customer but also had all four products in stock from recent orders. The consumer was urged to test the samples "thoroughly and critically in direct comparison to the brands formerly his favorites." If convinced, he was to ask his dealer to carry them "so that in the future he (the consumer) might secure promptly his entire needs in _____, _____ and _____ from a nearby source of supply."

Dealer Arguments.—To the dealer, the exporter presented a compelling argument. "Here on one hand is John Jones of your city who has read our advertisement and hopes in our products to find satisfaction. Here you are—a critical buyer. Both of you are now testing samples of four of our many products. Kindly ask Mr. Jones the results of his tests, should you desire to know the decision of a typical user interested in toilet preparations. His tests and your tests will show (thus and so). It is these tests, plus proofs of our service to other dealers, that cause us to look forward to your favorable decision."

In this concrete example it is easy to see the direct relation between the consumer inquiry and the dealer order. It is easy to see in it the essentials in sampling consumers—the quick shift and simultaneous sales attack which capitalizes consumer approval.

SAMPLING THROUGH EXPORT COMMISSION HOUSES

Because of the lack of understanding of the function of the export commission house, exporting manufacturers have given the possibilities of sampling little attention in their indirect

exporting. To meet exactly the needs of the export commission house field, a highly successful campaign has been in action now for eight years, involving a single manufacturing exporter and a score of the largest and best-rated export commission houses. The export manager of the Eastern manufacturer in analyzing his "indirect" sales by items and territories, found that importers buying through export commission houses confined their purchases to three types—standard staples, advertised specialties and advertised assortments. This average of items was one-fifth of the number appearing on orders *for the same cities* where direct solicitation was involved.

Planning the Campaign.—The export manager prepared tabulations by shipping marks proving this point. With these—plus a plan—he went to New York. His plan involved the gift of a \$25 set of samples with every order calling for the goods of his enterprise. It called, also, for the free offer of this \$25 set to all customers of the export commission house who handled similar lines. Beyond this, it called for the direct solicitation by the manufacturer of orders *through the export commission house*, thus placing the sales burden for this line where it belonged—on the manufacturer.

Because each detail of the plan had been perfected before it was presented, it was accepted just as it was presented. The export commission houses, once it was proved that their interests were protected by a house of proved square dealings and by a fool-proof system, did not hesitate to work hand in hand, even to the extent of writing their customers urging them to take advantage of the offer, and further urging them to secure their full profit by ordering in great variety from the wide range of samples.

Securing Contact with Outlets Abroad.—This simple but direct sampling campaign has increased the manufacturer's indirect sales ten-fold—and their indirect sales were substantial at the outset. This sampling campaign has placed him in direct touch with buyers previously known to him only as a symbol on a packing case. This contact has led to the sending of sales helps. It has led to displays which have quickened demand. It has changed, also, his whole relation with export commission houses, who now feel it profitable to turn to him for sales development all orders received where brand is not specified.

Backing up the Samples.—It must be remembered that while

a sample is a salesman in itself, the salesman is silent, and that to use its powers to the greatest possible extent its virtues must be pointed out by the spoken, the printed or the written word. The sample and the other selling forces supplement each other. Take such products as perfumes and food products. The most that the salesman, the advertisement or the letter can do is to create overwhelming desire for them. Where the question of taste enters this task is tremendous without the full proof which is possible only by sample.

The sample is not exclusively a consumer weapon, nor is it exclusively a dealer weapon. It can, of course, be used to convince the consumer of the advantages of the product and may also convince the dealer as a *consumer*. But its real function is to prove to the dealer the certainty of profit which the goods will bring on re-sale.

When the question of convenience in use is an important one, no volume of description can compete with the sample, which offers the argument of demonstration. The best of salesmen, with articles of this nature can scheme out ways and means to place the sample in the dealer's hands, figuring rightly on the very human trait of curiosity. It is doubly important, when the sales effort is deprived of the salesman's services, that the sample be present to speak for itself.

When to Use Samples.—It can be laid down as a safe rule, if a product possesses any quality which a sample will demonstrate, and if the cost of placing the sample in the hands of the distributing trade and the ultimate user is not prohibitive, that this method of selling should be employed.

The sample is a tangible sales argument. It is speechless, yet its presence answers questions, so that it becomes a salesman in itself. The confidence of the maker who is willing to stand or fall on his own handiwork is compelling in sales force. If a product permits the gift of samples, the exporter should capitalize his good fortune. If it compels the sale of samples, the best sales brains should be placed on the task. If samples cannot be given or sold to the ultimate user, every effort should be made to make it seem and be to his interest to inspect them—and make it as easy as possible to inspect them.

The Sample as a Mirror.—There is no one way in which to build world trade more rapidly than by judicious use of the sample. It lends itself admirably to combination with the efforts

of salesmen, correspondence and advertising. The sample is in many ways more nearly the reflection of the enterprise than even the salesman himself.

CHAPTER XXIII

THE TESTIMONIAL IN EXPORT SELLING

"Ask the man who owns one."—Packard Motor Car Company.

The Important Place of the Testimonial in Overseas Sales. Eight Distinct Uses of the Testimonial in Introducing Manufacturer to Importers Abroad. References but Postponed Testimonials. Testimonial Letters. Financial Statements. A Novel Use of Testimonials in Connection with Fourteen Features in Execution of Orders. Quality of Product Proved through Words of Users. What Constitutes Quality? Difficult Selling Points Made Effective by Use of Evidence of Others. Use of Testimonial by Automobile Manufacturers. Re-sale Profit Proved by Testimony of Dealers. Examples of Skilled Uses of Testimonials on Non-tangibles.

The most neglected sales force in exporting is the testimonial. Beyond the early use by the proprietary medicine group it is not only neglected but also practically unknown. Yet it is a compelling force. It is the opinion of a disinterested third party and carries with it the weight of the testimony of an impartial witness. The technique, the tactics and the strategy of the overseas use of the testimonial are in their infancy. There is a wonderful opportunity for the exporter who will learn to use and then to employ the testimonial as an integral part of his sales attack.

Reference Testimonials.—In the very openings of relations in international commercial exchange the testimonial earns a definite place. It is as important for the new exporter to give references as to ask for references. There is no more reason for the importer abroad to change his source of supply until he is convinced of the reliability of the exporter than for the exporter to grant credit until he knows of the importer's right to credit. The importer abroad has a right to know the standing of the exporter from unprejudiced third parties, just as the exporter has the right to know of the importer's reputation for prompt payment.

There are many angles from which the testimonial can be used in export trade. Testimonial treatment can prove:

1. Business morality
2. Financial responsibility
3. Knowledge of export technique
4. Correct execution of orders
5. Quality of product
6. Profit from re-sale of product or use of product
7. Assistance in sales of the product
8. Equitable adjustment of claims.

Domestic Beginnings.—Many manufacturers have thoughtlessly assumed that their reputation for business morality was a matter of world-wide acceptance because of their well-earned standing in the domestic market. Many other firms have been so long established in our home markets, and their honesty has for so many years been such a matter of common knowledge, that they have forgotten their domestic beginnings. If these will but examine their earliest days they will find that, directly or indirectly, they supplied proofs of their commercial integrity before they made forward strides.

The indirect use of the testimonial in exporting to prove business morality is not uncommon. This is merely the giving of the names of banks and mercantile agencies as references. Such "references" are no more than postponed testimonials. When the references are consulted the replies are out-and-out testimonials. While replies may touch upon other matters, they must give testimony to business morality or fail to fulfil their purpose. The very existence of an enterprise over a long term of years is one excellent proof of commercial morality, for the dishonest can seldom show long-continued life under the same name and in the same location.

Character Letters.—Direct testimonial letters can come in the form of letters from export institutions and organizations, local and national trade bodies and from individuals and enterprises which enjoy international reputation. It is unusual to employ direct testimonial letters which relate to commercial honesty alone. It is unusual to use such letters in advertisements or as enclosures. A large American mail order house prints on the back of its letterheads the names of banks and other institutions in foreign countries where information may be obtained. The best example of the use of character figures in export selling is furnished by a Middle Western manufacturing exporter. This corporation in replying to price inquiries encloses complete references, and in addition states that the importer will

receive separately letters which will establish his right to be considered a desirable source of supply.

Before this manufacturer attempted export sales he became a member of the leading export organizations. His enterprise studied export trade and adopted the best methods known to exporting. After years of hard work they became expert. Then, and only then, they felt entitled to the recognition as experts. Documentary proof of their commercial integrity was prepared from the entire list of their three thousand wholesale outlets in the United States. Their finances were made a matter of sworn record. Their knowledge of exporting was proved by exhibits. This testimony was forwarded for the inspection of the organizations in which they were members. Based upon this data these organizations were in a position to write prospective customers of this manufacturer a testimonial letter which was an international proof of business morality—and more.

Capital Resources.—Financial responsibility enables those with business honesty to carry out their obligations. It proves the ability to fulfill plans and promises. One New England manufacturing exporter goes to an excellent extreme in the use of the testimonial abroad upon this point. His first step is his semi-annual financial statement. This is impressive in itself, as the resources are high in the millions. This statement is accompanied by the sworn audit of a firm of international accountants. This sworn audit is more than a mere statement of the correctness of the figures. It is a testimonial to the excellent financial condition of the New England manufacturer. It explains the statement and emphasizes the items which prove the reserve strength of the enterprise. The financial statement and the accompanying audit are mailed twice each year to every export customer. Needless to add, these documents are used as enclosures in writing prospective customers. This is an excellent example of the testimonial—for the auditor's letter is a pure testimonial—in establishing financial responsibility.

Obviously, when using this type of testimonial, which is based upon the unsupported statement of the exporter plus copy of an audit, great care should be taken to support this evidence so that the legitimate exporter may in no way permit himself to be confused with the illegitimate exporter. It is entirely consistent with dignity to support statements and audits with evi-

dence which is clearly outside the direct control of the exporting manufacturer. Such evidence will leave no room for the doubter overseas to feel disinclined to accept at face value every claim made by the exporter.

Technical Knowledge Emphasized.—Knowledge of export technique includes such a wide range of subjects that one testimonial is hardly sufficient to accomplish the full purpose of proof through the expressed experience of others. One manufacturer of long export experience uses twenty exhibits to prove conclusively his authority on technique. Eight of these exhibits testify to the personal knowledge of the export staff as proved by tangible contributions to export forms and practices. These include letters from export organizations in the United States and Europe acknowledging receipt of model forms and exposition of methods, and expressing pleased approval of their value. The balance of the testimonials are letters from customers in many parts of the world which relate directly to the exporter's knowledge of technique. These refer to such matters as savings in duties by correct but different classifications, assistance in securing correct damages, better methods in draft usage, refunds on transportation charges and unusual routings to expedite deliveries. These twenty exhibits are all loose-leaf facsimiles of the original typewritten letters, and are bound in an attractive cloth cover.

Testimonials which cover the correct execution of orders are of decided value to American exporters. Rightly or wrongly, there is a feeling in many foreign markets that American manufacturers are not the equal of European exporters in the execution of indents. This truth was recognized years ago by a manufacturer in Ohio who enjoys the respect of 11,000 customers abroad and who rightly wished to use his hard-earned reputation to increase his sales with others.

Analysis of Order Procedure.—This exporter analyzed the execution of the order and felt it desirable to cover by testimonials these major features:

1. Correctness in entering items on order
2. Pricing
3. Terms of sale
4. Drafts and draft forwarding
5. Insurance and insurance rates
6. Consular papers
7. Classifications and declarations

8. Interior packing
9. Exterior packing
10. Crating, strapping and marking
11. Invoicing
12. Placing documents on same vessel as goods
13. Securing ocean space for first available sailing
14. Obtaining favorable freight rates.

The testimonial letters from his foreign customers (which were obtained by a semi-questionnaire) were classified to cover these fourteen divisions and published for distribution to both prospective and actual customers. Each page of the book was a photographic reproduction of the letterhead used by the customer abroad. The book itself was a master testimonial that was proof positive that the exporter was thoroughly reliable in the execution of every phase of the export shipment.

Quality Proved by Testimonials.—Many American exporters use testimonials of some type in relation to the quality of their products. These vary from a single phrase in quotation marks (with no authority given for the quotation) to far more elaborate and effective testimonials. One common testimonial in automobile lines was based upon government awards for excellence in building Liberty motors during the War. English manufacturers in their domestic and foreign trade use the testimonial phrases, “as supplied to H.R.H. . . .,” “Purveyors to H.R.H. . . .” and other similar indirect testimonial endorsements. Years ago a few American manufacturers engaged in foreign trade attempted to capitalize the use of their products by the United States Government, but this is no longer permissible.

Proprietary medicine makers particularly in Latin-America and the Far East, have used the testimonial letter effectively. This use has been largely in their advertisements in local newspapers, but it has also included the use of poster advertising and circulars and booklets enclosed within the cartons of the individual packages. Even the familiar patent medicine almanac alternating testimonials and monthly calendars and predictions is long established in fields outside the United States—notably in China.

Unusual Endorsements.—The experience of the careful merchandiser at home and abroad has long since proved that testimonials of quality of a product are too valuable to be left solely to the field of proprietary medicines. The publishing

field supplies excellent examples. Two presidents of the United States have been quoted testimonially to prove the quality of interest in detective stories. Letters from the leaders of American business have been used to promote the sale of education by correspondence schools. Book reviews are but another name for testimonials—and certainly in theatrical circles the dramatic critic as a testimonial-maker is the first thought of the producer.

“Quality of product” is a phrase which covers many factors. Loosely used and without testimonial proof, it means more today to the seller than it does to the buyer. The testimonial is of especial value in connection with “quality of product” because it tends to reduce glittering generalities such as “Best in the World” to the specific points which are susceptible of definite presentation. In exporting, the American must always remember that every generality is the subject of suspicion. It is far better not to claim excellent quality than to claim without some proof.

Sixteen Elements in Quality.—Quality of product may lie in:

1. Grade of materials
2. Type of materials
3. Chemical skill
4. Mechanical skill
5. Personal skill
6. Patented methods
7. Secret methods.

In addition to these seven factors which relate directly to the “quality” of a product, it is usual to include loosely in this classification the related phases:

1. Container which preserves original quality
2. Convenience of container
3. Convenience of product
4. Comfort
5. Luxury
6. Economy
7. Appeal to any of the senses
8. Effect of use
9. Hidden qualities.

With these specific divisions before the exporter, a wide range is opened for testimonial use. Quality of raw materials in comparison to the raw materials used by competitors is proved by a West Virginia manufacturer through the sworn testimony

of commercial laboratories. The standing of these laboratories, naturally not generally known abroad, is proved by a second sworn testimonial. Similarly, the type of raw materials used is made into a selling point by an Indiana exporter who publishes abroad testimonials to the use of an internationally-known type of bearing on a device. Competitive devices use a less expensive and less satisfactory type of bearing. One automobile manufacturer uses testimonial letters which apparently prove the advantage of his use of a certain steel alloy on a part of his car—something which no other motor car in his price range offers.

Chemical and Mechanical Skill Proved.—Chemical skill in preparation is an excellent field for the use of the testimonial. The quality of two products made from identical materials may differ widely because of the greater chemical skill of one maker. “Your chemists are to be congratulated on this striking and epochal process . . .” is the opening sentence of a testimonial used in his foreign selling by a New Jersey varnish maker. Sworn tabulations showing the presence of certain elements form the basis for excellent testimonials. “Caffein-less” coffee, “99 $\frac{44}{100}$ per cent pure” soap, “contains no alum,” are familiar domestic examples—all of which are used by the same makers in their sales efforts abroad.

It is common to claim mechanical skill. The testimonial changes the claim into an acceptable type of proof. A maker may claim to use the height of mechanical skill, but it is the results of this skill rather than the claimed use that has greater selling power. The testimony to accuracy by the leading observatories of the world is of decided value to the maker of astronomical instruments. The testimonial of savings through use of a mechanically correct machine belt outranks any claim for excellence of the machines that made the belt. The testimony of a national automobile association to the length of time a gasoline motor ran without a miss has sales power, regardless of domestic boundaries.

Personal Skill of Workers.—The testimonial which portrays personal skill in preparation of product is still all but unused in export selling. It is alarmingly easy to claim personal skill for workers—and most hard to prove it by convincing testimonials. It is a matter of world knowledge, for example, that the heritage of skilful workmanship in shoes is an asset to Brockton, in collars and shirts to Troy and in cutlery to Sheffield. Yet

individual manufacturers invariably find extreme difficulty to prove personal skill in preparation for their own operatives. One manufacturer whose product is similar (if not identical) in appearance with a dozen competitive products has succeeded in overcoming all obstacles to this use of the testimonial in export selling. Because personal skill in preparation is his greatest advantage, he features this point in all his foreign sales efforts.

His first testimonial is that of an industrial physician whose letter compares most favorably, from a physical and mental standpoint, the personnel of the workers with workers in all other industries. Then is given a letter from the editor of a business magazine congratulating the president of this enterprise on the remarkable record of service of his foremen—an average service of fifteen years with an average age of forty. The third testimonial consists of diplomas and medals won by this maker's products for workmanship and design. The final exhibit is a series of letters from users of the product praising various qualities which are the result of personal skill of the worker rather than material or chemical or mechanical reasons.

Worth of Patented Processes.—Patented methods of preparation form a strangely neglected opportunity for testimonials. All but a few manufacturers are content to state the nature of their patents and the ends they achieve. Patented methods are valuable—or valueless—as they result in advantage—or lack of advantage—to the user—not merely because they are patented. If a patented method has advantage, it can easily be made the subject of a testimonial. One of the most effective testimonials used in export trade to prove the value of patented methods is the motion picture film of the Pneumatic Scale Corp. of Norfolk Downs, Massachusetts. This pictorial testimonial shows the acceptance of the patented advantages of their packaging machinery by leaders in American industry.

From tobacco to traveling cranes, from tooth paste to telephone systems, patented methods in preparation of product lend themselves to effective testimonial treatment.

Use of Secret Methods of Preparation Capitalized.—In the field of secret methods of preparation the testimonial must be in regard to the effect rather than to the cause. This self-evident fact is ignored in exporting by those who attempt to make a selling argument out of a veil of mystery. "Our machinery

is all designed by our own mechanical experts, who are under bond not to disclose . . .” is the claim made in one export campaign. “The secret of our colors lies in the brains of only two men . . .” is a similar statement. Both of these examples are clearly inferior to the open use of the testimonial which relates to the *effect* of the use of the secret process. The outstanding example of such a testimonial is the letter used by a New York maker and written by a government official in Europe. “The Blank print made *by your secret process* fulfills our requirements. It is the only preparation we have been able to obtain that would withstand the climate of one of our principal possessions in the Pacific.” This ounce of testimony is worth a pound of unsupported or prejudiced claim.

Basing Testimonials on Containers.—One maker whose export sales are larger than his domestic sales has made an interesting test of the value of the testimonial as a selling force. His product is one of everyday consumption. His sales argument is the container which he uses to preserve the original quality of the product—an argument similar to the familiar domestic presentation of “In-er-seal” packing of crackers, the Wrigley packing of chewing gum and the paraffin-sealed wrappings on Kellogg’s Toasted Corn Flakes.

This maker in his export selling tested the mechanical proof of the worthwhileness of his packing against the testimonial proof of results of the packing. He found that both his trade outlets and consumers abroad responded more quickly to the testimonial which portrayed the condition of the product and its greater effectiveness in use because of the container that preserved the original quality than to the “reason why” advertisement without the testimonial flavor.

Comfort and Convenience.—Convenience of product in use and comfort of product in use are natural subjects for testimonials. The best examples in export selling are to be found in the office furniture and shoe industries. The method of obtaining and using such testimonials is so apparent that no discussion is needed. Luxury in use is a far more difficult problem from the standpoint of the export executive who desires testimonial treatment. It is human to want luxury but unnatural to prepare testimonial letters admitting luxury except in connection with other qualities. A pleasing solution in export selling is that of an automobile manufacturer who relies upon

testimonial letters from *women* to prove the *luxury* and from *men* to prove the *economy* of his \$8,000 closed motor car.

There is a wonderful opportunity for exporters in skilful use of the testimonial as an appeal to the senses. The phonograph and the self-playing piano are today sold abroad by the testimonial method. French perfume makers are adroit in testimonial treatment of a score of toilet preparations. Similarly, the "They satisfy" cigarette advertising at home is a type effective in testimonial use abroad. In Latin America the pictorial testimonial of the child enjoying the taste of medicine and various prepared foods needs the expansion of the adult. That it can be done is shown by the current advertisement of bacon and devilled ham.

The sense of feeling need not be confined to the testimonial, "The skin you love to touch" illustration. Today, hammers and saws are sold abroad on their "balance," their "hang," and fountain pens on their "feel." Even stabilizers for light automobiles and shock absorbers can well and easily be sold by testimonials—the word of the satisfied user. "Feel the quality," as a bond paper slogan, gains weight by the suggestion of proof in the testimonial letter. The Motometer relies upon sight for its sales motive, just as an automobile which is equipped with it may claim to be "The Most Beautiful Car in America." Yet both in their export selling may well depend far more on outside opinion by the testimonial which says, "Even in a driving snowstorm I can easily *see* whether or not my engine is overheating" or "The lines and finish of my car stood comparison throughout a year's driving in Europe with the triumphs of English, French and Italian cars costing twice the amount I paid for my Paige."

Proving Economies.—Economy in use should clearly be proved from the experience of the buyer, not from the theory of the seller. This principle is well recognized in selling at home, and its application deserves a wider use in foreign fields. In the automotive world the ubiquitous Ford, the Franklin and the Indian motorcycle have used this argument, and the Franklin has abroad, as at home, used the "mass testimonial"—the experience of many owners—to lead its sales argument. Next to the automobile the belting industry leads in the use of this type of testimonial in its export field. The early history of the leading office equipment devices is full of testimonials of economy

in use which compared the savings of time of the typewriter and of the adding machine over long-hand methods.

The Reverse Testimonial.—Check protectors in export selling use the “reverse testimonial” in test of both letters and advertisements by personal proofs of dangers of the unprotected check. This “effect of use” testimonial is the backbone of the proprietary medicine industry. But it applies with equal force to the display cabinets, safes, roofings, paints and varnishes (“Save the surface and you save all”), lightning rods, silos—thousands upon thousands of articles and processes which demonstrate by use their right to exist. The testimonial is by far the most logical argument in foreign fields for articles and processes in this class. Those who fear for their dignity need only be reminded of the Packard motto, “Ask the man who owns one,” which is the delayed testimonial pure and simple.

Hidden qualities such as non-fading color in a window shade, permanence in a writing fluid and the bore in a rifle demand the proof which can only come from the user who has seen these hidden qualities develop under actual service conditions. Mere assertion is customary in the domestic field in many lines and succeeds because the enterprise itself is known. Overseas, with the many markets, large and small, unfamiliar with a maker's products, it is decidedly unwise to trust such an important factor to assertion.

Profit to Buyer.—The most important sales argument is profit from re-sale or use of the product offered. Many American makers constantly err in producing mathematical proof of the per cent of profit on a single sale, overlooking entirely the entire factor of turnover. Little testimony is needed to prove profit on the percentage basis. Testimony is the only fair proof of true profit, which is based squarely upon rapidity of sale. This point is covered excellently by one American manufacturer. He presents in a booklet excerpts from letters from dealers from Alaska to South Africa, Bermuda to Siberia. These relate solely to the profit on re-sale of his product. Great emphasis is laid upon the turnover, which is exceptionally rapid on his line.

Makers of vending machines lead the way abroad in the use of testimonials proving the profit to users of their product. National Cash Register has consistently used the testimonial idea to prove the profit—by saving—to the user. Similarly, makers of motion picture projectors have been quick to capitalize

the success in profit-making of those who have used their devices—and motion pictures are today one of the important industries abroad as well as in the domestic field.

In the export house organ of a Pennsylvania manufacturer of toilet preparations there appears each month a testimonial letter from some foreign customer which shows his appreciation of the sales assistance rendered by the manufacturer. These letters are reprinted and used as enclosures with correspondence. This maker bases his foreign sales campaign squarely on good products, sound policy and unusual assistance to the dealer in sales development. His emphasis on the assistance he is prepared to render is the listing of the forms of dealer sales promotion he is prepared to offer and testimonial letters which show the success dealers abroad have won from the coöperation.

Opinion of Customers Tests Policies.—One of the greatest handicaps of the distances inevitable in foreign trade is the doubt which naturally exists in the buyer's mind in regard to claims. No product is so excellent, no service so accurate that ample opportunity for claims may not arise. Even the most righteous and financially responsible of exporters may be narrow minded in his adjustments from the viewpoint of the average buyer abroad. Surely the exporter is not the one to judge of the fairness of his adjustments! No one neglected phase of the use of the testimonial deserves better attention. The best way to use the opinion of others on this vital point is to recognize the importance of testimony from customers outside the United States and to make sure in each adjustment the customer's acknowledgment is saved for this very purpose.

The only objection that can be raised to the use of the testimonial in selling goods abroad is its one-time abuse in domestic markets. This is an extremely poor excuse. The testimonial in some form is employed today by the proudest of houses. It need not be lacking in dignity in its use at home or abroad.

CHAPTER XXIV

PLANNING EXPORT SALES ON A BASIS OF TEN -YEAR DEVELOPMENT

"Good exporters think in decades and centuries."

—Morton K. Morton.

Estimate of Number of Manufacturing Exporters in United States and Per Cent. with Adequate Overseas Representation. Inadequate Attention Given Exporting Proved Costly. Exporting is Selling the Whole World. Balanced Export Sales Effort Portrayed. Examples of Decade Schedule of Export Developments. Charting the World on a Ten-year Basis. The Twenty-six Territorial Divisions Used as a Base by One Manufacturer. Visualizing Export Conditions and Sales by Charts and Graphs. Balanced World-wide Sales Cannot Result by Chance.

Well-balanced world-wide sales are never a matter of luck. The world is so large and its markets, large and small, are so many, that only by careful planning is correct export development made possible.

There are fully 30,000 manufacturing exporters in the United States, an estimate which checks with the official statistics and the investigations of export organizations. Not over seventy-five manufacturers—one-quarter of one per cent—can rightfully claim adequate representation in even all the major markets of the world. Not over one hundred and fifty can prove that their export selling in both theory and practice is based upon plans laid years ahead.

This is a tremendous indictment. It charges American exporting with lack of forethought as well as lack of balanced export sales. Examine the facts—for it is facts and not opinions only which are worth consideration.

Balanced Planning Rare.—There cannot be a self-sufficient exporting manufacturer. He must keep himself in touch with the details of export technique. He must secure at least a part of needed information from some export bureau or organization, or he must secure it from text books and the Exporters' Encyclopedia. Even if he is not directly connected with any organization he is known to those who are interested in our national problem of a large and sounder export trade. Thus we can

speak with approximate certainty for all exporters and with absolute certainty for such an overwhelming percentage that the untraceable balance cannot offset the conclusion.

In Boston, New York, San Francisco, Baltimore, New Orleans, Los Angeles and Philadelphia—seven seaboard cities—in St. Louis, Chicago, Buffalo, Nashville, Springfield, Detroit and Cleveland—seven large inland cities—and in a list of over a hundred cities such as Worcester, Akron, Bridgeport, Portland, Maine, Portland, Oregon, Harrisburg and Mobile—there cannot be found only a comparative few who measure up to both correct practice and balanced distribution in their export selling.

Domestic Comparisons.—Yet in these cities there can be found hundreds of manufacturers with a clean-cut policy built to result to best advantage in the domestic market. The conclusion is obvious. American manufacturers, including the vast majority of those who have export sales, are not interested in export trade to the point of considering it worthy of the same executive attention which is given to domestic trade. Against this handicap, a handful of good export managers have successfully competed single-handed. Because there are executives with an interest in and an understanding of exporting, a few score more manufacturers are entitled to blue ribbons. Because of the untiring work of the leading organizations of export executives a few score more enterprises have advanced from mediocrity to a ranking position.

Basis of Correct Effort.—There is no mystery in correct export planning. It is based upon exactly the same hard common sense that has marked the development of selling within the United States. It is a process easily understandable and not wasteful in operation. It appeals to the cold-blooded for its profit-making possibilities. It appeals to the technician for its thoroughness. It appeals to the man of vision because it takes him to the very limits of his powers.

Exporting is selling the whole world. This truth must be accepted before progress is possible. Until a manufacturer is willing to think of selling abroad wherever a profit can be shown, he is certainly not entitled to be called an exporter, even if his ledgers show sales in Cuba and in China. A few scattered customers in foreign countries are no more a proof of exporting than a few freckles prove a man a Mongolian.

The outstanding error in American exporting lies in the

beginner's usual question, "Where shall we first sell abroad?"

The proper question is, "What method can be adopted which will logically bring about balanced export sales?" Exporting—modern scientific exporting—is far more than attempting to sell one market at a time sequenced in order of each of securing sales. Such a method is exactly as absurd as for an enterprise which desired national distribution in the United States to work forward one state at a time, with no advance survey or preparation of the entire field.

Profits Not Sole Test.—There are many American manufacturers who are today enjoying a pleasing profit from export sales, built up in crude ways. But these are the first to admit that such methods have robbed them of both earlier and larger profits, and that today export distribution is still "spotty" and without correct balance. The mere fact that there are many profiting by export trade is no proof that greater profits should not have been made and that future efforts will not be decidedly handicapped by the hit-or-miss methods that forgot the future by too close a focus on the present.

The world is large. Therefore, the first step of the prospective exporter should be to admit that he has before him a task worthy of his best brains and demanding the most careful and skilful planning. Before active export selling starts, there should be a world plan which is based on a knowledge of the world and its markets and a vision of a decade in advance. It is costly to ignore this concept of exporting. Countless American manufacturers have, by ignoring this basic foundation, entered into agency relations that within a few years proved to block their future, not alone in the particular countries in which they appointed agents, but in entire continents.

EXAMPLE OF LOSSES

One illustration will drive home this important point. A New York manufacturer of paints, because he had no plan covering his export future, gave the agency for one of his products to an agent in Rio; the agency for all of his products for Argentina to a representative in Buenos; the Chilian agency for a paint remover to a wholesaler and retailer in Valparaiso, and the agency for varnishes to a retailer in Lima. Contracts prohibited the paint manufacturer from selling other than agents.



FIG. 18.—United States Steel Products Company employs unique transportation methods in South America. Packing traction rope over a mountain trail.



FIG. 19.—Native bearers carrying track cable over the Andes.

What was the result? It is well to note that a business crime had been committed. First of all, any manufacturer of a broad line of products who desires agency representation should, of course, avoid giving an agency for any *one* of his products where he is not entirely certain of the wisdom of such an act. In the case under examination, the paint manufacturer, by giving the exclusive agency for his automobile paints to a dealer in Rio for a term of ten years, found himself two years later unable to interest the one most desirable agency connection in Rio. This corporation in Rio refused, naturally, to divide the agency with a small and little-known dealer in its own city.

Handicapping the Future.—In other countries the same general result came from the same general cause—blocked efforts, due to failure to plan. The agencies granted made it impossible to send a traveler profitably, since the traveler could only have visited to advantage Uruguay, Paraguay, Bolivia and Ecuador, due to the agencies and the conditions under which they were conducted. In a sentence, it can be said that, by failure to plan, the paint-maker set back his sound development in South America by at least twenty years.

Even students of exporting have all too often failed to grasp the situation. One theory of exporting advocates confining selling effort to the easiest markets—the ones in which at the moment general conditions are most favorable. This narrow doctrine of expediency—interesting and simple as it may sound—is an infallible recipe for later regrets. The prospective exporter who is afraid to face the fact that this is a large world, or who is unable or unwilling to give adequate time to advance planning for his commercial conquest of it, had best remain confined to domestic selling.

Normal vs. Intensive Selling.—There is a vast difference between advance planning for an ultimate world-wide and balanced trade and an attempt to conduct an intensive world-wide selling campaign from the very start. Only enterprises with exceptional financial resources can attempt wisely any foreign trade effort which involves the simultaneous attack on a large number of markets before the working capital is earned by a more modest entry into exporting. Conversely, it is entirely possible for any manufacturer, adequately financed for domestic trade, to plan correctly for ultimate world-wide trade and to proceed, step by step, directly toward his goal.

PLANNING ON TEN-YEAR BASIS

The examination of a typical case will illustrate sound methods. While the name of the product and the enterprise are fictitious, the plans portrayed are a cross-section of actual American business. It is well to go back to the beginning and note the exact manner in which the experienced export manager who was selected to build up an export trade laid out his ten-year schedule.

American Toilet Preparations, Inc., was established in 1846. Up to 1919 it had no export trade other than a factory, sales office and warehouse in Toronto, and an occasional order from a New York export commission house. Its development in seventy-three years had been east, west, north and south, from its middle-western headquarters. Its Canadian factory was a natural step when an increase in duties made it more profitable to supply its Canadian trade by "made-in-Canada" goods—but the orders were all taken by its domestic sales staff except for city salesmen in Montreal and Toronto.

Reason for Exporting.—The domestic sales total of American Toilet Preparations, Inc., in 1918 was \$1,500,000, not including \$200,000 in Canadian sales. The period inevitable in every growing enterprise had arrived when added domestic sales cost more than the normal sales per cent. The president had for years known the possibilities open through export sales, but had wisely awaited the period in which he could see not only production available for export sales, but also a sound reason for desiring export sales deeply enough to be willing to earn them.

When the time came, in 1919, he engaged at a high salary the best export manager he could secure. The president made it clear that the new export manager was to proceed deliberately to become acquainted with the products of American Toilet Preparations, Inc., the domestic prices and selling policies, and the reasons behind each. When this ground-work was completed the president asked that a definite set of recommendations and sales plans be submitted. It is a fragment of this report—the fragment which relates to the charting of the entire world of a ten-year basis—and the general outline of the sales treatment on each division that is here portrayed.

CHARTING THE WORLD

The export manager's charting is by territories rather than by the familiar continents—an arrangement which makes it infinitely easier to follow:

1. United States—Domestic territory except see Alaska, Porto Rico, Hawaiian Islands and the Philippines.
2. Canada—1921-1926 domestic salesmen plus city salesmen in Toronto and Montreal.
3. Newfoundland—Cover by domestic salesmen with Boston headquarters; ship from Boston or New York warehouses.
4. Bermuda—Cover and ship from New York warehouses by New York salesman.
5. Bahamas—Cover by domestic salesman whose territory includes South Atlantic States.
6. Alaska—Cover by "far west salesman 3"—whose territory includes Washington.
7. The Guianas—Mail Territory No. 1—for ten years except visits by Gulf salesman from Trinidad to Georgetown. Exclusive agencies established by mail in French and Dutch Guiana in 1921. British Guianas held open until first visit of salesman, scheduled as possibility in 1922 or 1923.
8. Gulf Territory—Cuba, Porto Rico, Haiti, Dominica, all islands in Gulf of Mexico, Venezuela, Colombia, Panama, all Central America and Mexico.
9. Mexico—Border towns covered by domestic salesmen from Texas, Arizona, New Mexico and, at start, West Coast Mexico from Los Angeles by domestic salesman and jobbers.
10. Southern South America—Ecuador, Bolivia, Chile, Argentina, Paraguay, Uruguay, Brazil—covered by export salesman No. 2. 1921-1926, annual trips. 1927-1931, permanent headquarters for salesman in Argentina, with warehousing facilities. 1926-1931, Ecuador added to Gulf territory.
11. South America—Interior cities, such as Manaõs, form mail territory No. 2 for direct "all-by-mail" selling, with or without exclusive agency treatment.
12. British Isles—Export Salesman No. 3, with headquarters in London. 1921-1926, indent orders only. 1927-1931, warehousing facilities. 1932—Branch house.
13. European Russia—Details for building sales plan to be secured in 1921 and filed ready for adaptation when conditions make sales campaign advisable.
14. Norway and Sweden, Denmark—Export Salesman No. 4. 1921, trip to include appointment of local short-time agents. No national agent to be appointed until complete analysis of possibilities based on actual sales' experience, is completed. 1927-1931, probably one agent in each country.
15. Iceland—Mail Territory No. 3. Handle direct "all-by-mail" from United States, not from Copenhagen, because of known wholesaler who wishes direct factory connection.
16. Holland—Belgium—France—Spain—Portugal—Switzerland—Italy—Morocco—Tunis—Algiers—Export Salesman No. 5. All plans to be based on 1921 tour of investigation. Rough plan to include agents in each country, plus stock of certain staples in Brussels.
17. Germany—Austria—Ultimately to become territory for Export Salesman No. 6. Warehouse and other plans postponed until conditions clear and production increases to point necessitating maximum export sales.

18. "New Europe"—Czecho-slovakia, Poland, Balkans, etc.—Mail Territory No. 4. Export manager personally to keep in closest touch possible through government export bureaus and export organizations.

19. European Turkey, Egypt, Greece—1921–1926, Mail Territory No. 5, unless conditions make it wise to include in territory of "Around the World Salesman" in place of South Africa *q. v.*

20. Persia, Afghanistan, Palestine, Mesopotamia—Mail Territory No. 6. Agency treatment for entire ten years.

21. Australasia; Australia, Tasmania, New Zealand—1921–1924, Mail Territory No. 7. 1924–1926, Export Salesman No. 6 on "Around-the-World" trip. 1927–1931, Export Salesman No. 7, resident in Sydney.

22. Hawaiian Islands—Philippines—China—Indo-China—Straits Settlements—New Guiana—Dutch East Indies—Siam—Burma—India Proper—Ceylon—1921–1926, Export Salesman No. 7 on "Around-the-World" trip. 1927–1931, Export Salesman No. 7, aided by one or two junior salesmen working in the interest of established trade.

23. British South Africa—1921–1924, Export Salesman No. 7 in "Around-the-World" trip, or covered by mail in 1921 and 1922 and trip by British Isles' salesman in 1921 to establish five-year agency.

24. Africa—not included in (16), (19) and (23)—Mail treatment, including five-year agencies.

25. Asiatic Russia—1921–1922, Mail treatment only. 1924, accept arrangement for three years offered by San Francisco export commission house with branch in Vladivostok. 1928–1931, sales' development plans based on general conditions in Russia and sales volume secured through San Francisco export commission house.

26. Isolated markets, such as the Azores, Canary Islands, Madagascar—Mail treatment with or without agencies.

CRITICISM OF DIVISIONS

This is merest outline of the sales plan of this export manager. Many of the divisions which required long and careful thought, by no means indicate at first glance the logic of their selection. While it would hardly be probable for another product to require these identical divisions, there is food for thought for every export manager, veteran or novice, in this layout. By use of an outline map of the world the export manager can easily plot out his own divisions in one contrast color ink, and this outline in another color ink, which will aid greatly in the comparison.

There are some very interesting touches included in this layout, and several rather obvious comments omitted from the written draft. The covering of Newfound land from Boston is sound practice. It might be well in many enterprises to have the salesman covering New England make the "triangle," to include the Maritime Provinces, Newfoundland, and then sail direct to Ber-

muda, returning via New York. The covering of Nassau, Bahamas by the South Atlantic salesman and Alaska from Washington or by Pacific Coast jobbers, shows that the plan originated with an export veteran. Likewise, the covering of Mexican border towns from Texas, New Mexico and Arizona and Southern California (Mexico) from Los Angeles is good technique.

Nature Gate-way Overlooked.—The most glaring omission is the covering of Afghanistan from Karachi, the highly wise point of attack as well as sound port of entry. The salesman covering India proper can well afford at least one "visit to" Karachi for this reason alone.

It is to be noted that the plan of the export manager for "American Toilet Preparations, Inc.," lists seven export salesmen and seven "mail territories." Two more "missionary salesmen" for the 1927-1931 period are also mentioned for Territory 22—"Around-the-World" trip. One of the seven salesmen (No. 7) is also in the 1927-1931 class to follow, in Australia, the trade steps of Salesman No. 6—the "Around-the-World" man. The "Isolated Markets" form an eighth "Mail Territory."

Thoroughness and Flexibility.—The export manager's plans are unquestionably both modest and sound. They call for six export salesmen to be secured, trained and sent out in the first five years, and three more in the second five years. The plans call for a very substantial sales effort by mail—but this is so laid out that it can be developed hand-in-hand with the development of export correspondents. The plan is sufficiently complete so that no important market is overlooked, and no minor market entirely neglected. Conversely, the plan is not so rigid as to demand too much in the first two years or to bring unwise pressure on the newly-created export workers. The flexibility of the plan is one of its great assets. While it weighs the possibilities of every market, it by no means insists that sales development in each market shall be intensive from the start.

The export manager's plan does not tie his hands with exclusive arrangements except where agency representation is the logical sales' treatment. It is the one sound preventive of the usual remorseful, "If I had only thought of that years ago," "If we had started in soundly in the beginning we would have been firmly entrenched by now," and "Because we did not foresee the advisability of ever sending a salesman now we cannot route a

salesman at normal expense." Based squarely upon the experiences of sound export managers who have taken over the foreign departments of enterprises whose sales abroad had been permitted to grow indiscriminately, losses totalling in the millions can be traced positively to the lack of world-wide plans from the very start.

Blocked Development.—One able export executive charted the 1916 export sales of his corporation. He worked from correspondence files, history records, agency contracts and actual invoices of direct and indirect export sales. He found every contract but two, blocked normal sales development, and the proper upbuilding of a staff of export travelers. Minor territories often were found to be highly developed, while nearby major markets were absolutely neglected. One illustration is sufficient. This corporation sold \$18,000 worth in Porto Alegre, Brazil, in 1915, and not a dollar's worth in Buenos, Montevideo, Sao Paulo or Bahia.

The good export manager is a strong believer in the visualization of export sales. In the export department of the future there will be adequate and easily consulted records in the form of statistics, geographical charts and graphs of sales by territories political divisions and salesmen, so that the export executive will have brought constantly before him his original plans, their modifications and the results. Action based upon complete visualization is far more profitable than the far too common practice of merely grasping opportunities as they are presented. Proper equipment for visualizing export plans, the steps taken toward their fulfilment and the resultant sales are part of the ground-work for a world-wide balanced export development.

Profit Justifies Exporting.—Profit—greater net profit over a long term of years—is the object of exporting. It must be conceded that the greatest fair net profit over a long term of years will come from the skilful carrying out of soundly-built plans. It must be conceded that exporters who have not yet placed their development abroad on this logical basis cannot hope to achieve the highest goals until they adopt a common sense, proved method which appeals to every business sense and is within the means of every pocketbook.

Whether the product and the pocketbook permit selling on the basis of no salesmen or one hundred; whether the production

available for exporting is \$10,000 or \$10,000,000 of merchandise the game is exactly the same and governed by the same rules. Balanced world-wide sales cannot result by chance.

CHAPTER XXV

PLANNING AN EXPORT SALES CAMPAIGN

"How much can you sell? Where can you sell? Answer me those two questions before you come to me for selling methods."

—Herbert B. Johnson.

"American manufacturers are not the best exporters in the world, but the best exporters in the world are American manufacturers."

—George C. Vedder.

Classification of Exporting Manufacturers. Well-balanced Sales the Ultimate Goal of Export Selling Effort. Selling Methods Used in Export Trade. Examples of Methods by Which Export Orders are Secured. Types of Export Sales Campaigns. Building up the Sales Campaign. Grand Tactics and Strategies of Exporting. Laying a World-wide Foundation for Export Sales. Examples of Prestige and Good-will Introductory Campaigns. Methods Employed in an Intensive Export Sales Campaign. Capitalizing the Intensive Export Sales Campaign. Executive Supervision of Intensive Campaigns. By-products of Export Sales Campaigns.

There are two distinct classes of exporters. The first includes all the accidental and incidental exporters whose foreign sales come largely from unsolicited orders. This class in number still predominates. It is this class, because it has no active interest in overseas sales, which often reflects discredit on American methods in foreign trade. The second class includes all exporters who seek foreign trade. Within this second class will be found a select group which is without doubt the exponent of the best exporting to be found in any country on the globe. The United States is not a dominatingly great exporting nation—regardless of what statistics may show. But there are in the United States a few score of exporters who excel the best of their European competitors.

Average and Exceptional Exporters Described.—The one outstanding difference between the exceptionally good and the average exporter is a fundamental difference. The average exporter seeks foreign sales but seeks them in a haphazard way, and his development is largely a matter of fortuitous circumstances. He advertises his wares, replies to inquirers, grants agencies almost on request and sends his own salesmen to easily-reached markets. Usually he is fairly efficient in the handling

of orders from his foreign customers. But he frequently has excellent sales in Colombia and China, Tunis and Sweden, with only a sparse handful of customers in the rest of the world.

The exceptional exporter sells the whole world. His sales are nicely balanced to sales possibilities. He starts his export history by a charting of the world field, by weighing the relative value of the world's markets and re-weighing these values by the relative importance of his product to the market. Too great emphasis cannot be placed upon the wisdom of such a course. For foreign trade is not a plaything of a day—it is the insurance of American business for centuries to come. The world should be charted not necessarily as a prelude to immediate sales endeavor in each division, but at least as a means to ascertain the proper sequence of selling effort. The sales plan of today should provide for the sales plan of tomorrow, and certainly increase rather than decrease its effectiveness. Only a careful survey of the world field at the start can prevent serious consequences decades later.

Value of Divided Risks.—The war drove home this important lesson. American manufacturers whose eyes had been blinded to export profits outside of Europe found themselves not only subject to heavy losses, but also unknown in other markets of the world which quickly clamored for every kind of manufactured product. Conversely, exporters who had at least taken the simplest of world-wide development steps found their European losses small in comparison to their total sales, and were quickly flooded with orders which changed their losses to profits inside a few short months. Only half a decade ago certain American exporters who confined their sales to nearby Mexico and Cuba found revolution in one market and a poor sugar crop in the other. Their sales dropped to negligible totals. But brother exporters with well-balanced world sales merely diverted the released production to markets which responded quickly to increased selling effort.

Good export structures are not built like the old-fashioned farm-house with a small box-like center and eels radiating here and there, tacked on as need demanded. Good export building insists upon a basic plan permitting and anticipating development along lines of symmetry. No sane domestic business is on a "plan as you go" basis. No export business should be allowed to adopt such a dangerous policy. Good executives look with

scorn upon the men who endanger their domestic future by lopsided and erratic territorial development. This important factor of export trade is identical with the ideals and practices of domestic trade. The experience of scores of American and European manufacturers has proved this beyond doubt.

It is one of the pleasing features of export work that once a territory is well covered, an intensive sales campaign completed and competent agents or dealer distribution secured, sales expense drops rapidly while sales volume increases steadily. There must, of course, be no neglect of territories once developed, but in many cases salesmen's visits can be at longer intervals and less time need be spent in each country visited.

Fundamentals of Selling.—Export sales campaigns are easily divided into the four forms of selling: The spoken word—the export salesman; the written word—export correspondence; the printed word—export publicity, and the sample or testimonial. It need hardly be said that a combination of these methods multiplies the power of each. The keynote of the campaign varies according to the product, the territory and the end to be achieved. It is enough to mention the growing frequency of use of special introductory offers or unusual inducements on an initial purchase. Assortment offers which are accompanied by premiums focus attention and facilitate buying.

There must be a clear conception both of the end desired and the possible weapons available for use, before any attempt is made to indulge in direct selling. Otherwise, the ignorance of the seller will quickly be known to the buyer and a lasting lack of confidence results—and confidence is the keystone of the arch of export trade.

BUILDING UP THE SALES CAMPAIGN

“But for pleasure and profit together, allow me the hunting of man.”—Rudyard Kipling.

The grand tactics of successful exporting are based on the desirability of ultimately securing the greatest amount of profit—net profit—over a long term of years through foreign selling. Successful exporting aims at the maximum sales volume which can be secured at an expense that can be afforded and maintained at a normal sales expense. The wise exporter strives toward the goal of well-balanced sales development which by distribution of risk insures against unfavorable local conditions.

The strategies of exporting are the correct use of every form of sales attack, separately and in combination, properly timed and directed intelligently. They include very definitely the development or concentration of selling forces to meet the definite situations which arise. Sound exporting multiplies the effectiveness of the tactics of modern scientific selling by surprise measures, by unusual attacks, by adroit manoeuvring and by taking advantage of competitors' mistakes or wrong tactics.

It is surprising in analyzing the successes and the failures of the attempts by American manufacturers to see clearly, that very few have given any consideration to the almost military aspects which obviously obtain in broad selling campaigns. An export campaign without basic planning is mere mob selling. There have been recorded export sales successes without a full conception of major policies involved, but there has never been an export campaign that was a failure when preceded by the establishment of the explorability of the product and the correct use of information gained by careful study.

LAYING A WORLD-WIDE FOUNDATION FOR DEVELOPMENT OF FOREIGN SALES

"Three-quarters of what are generally termed 'exporters' are really 'Latin Americaners,' 'Europeans' or 'Here and thereers,' in that they neither sell nor plan *definitely* to sell except in a modest fraction of the world's land surface."—Edmunds Woodbridge Sanger.

There is one world-wide foundation for development of foreign sales that even the firm with most modest resources can lay and lay well. That foundation is the determination to profit by the mistakes of others. Exporters large and small, novices and experts, have repeatedly handicapped their export future, due to improperly and unwisely granted agencies, establishment in some markets of absurdly low prices or by dumping of inferior products and obsolete models. The president of a New England corporation recently said, "We must cross Scandinavia from our maps of export sales outlets for at least two years, or until our brands are completely forgotten. By an unsound price policy which we justified by competitive prices on inferior products and by our cheapening of our products to meet low prices, we have now a deserved reputation for second-rate goods. So we're going to drop out of Scandinavia until it forgets us, and then, with a sound foundation of correct prices and our best and latest prod-

ucts, start anew in an important market as beginners, when we could have just as well by now been recognized as the leaders."

In the executive study of the broader phases of export selling it is always wise to investigate ways and means which involve little expense and which nevertheless open rather than close the door on later salesdevelopment. It is often far better to seek and find the one right agent and wait for him to become available, than to accept the second or third best distributing outlet and have the product rated by the importance of the agent in his own market. Common sense is an excellent guide on this point. No maker of a high-grade, high-priced automobile would consider for a moment the granting of his agency to a second-rate garage located on the outskirts of Boston; yet manufacturers unknowingly, because of a lack of appreciation of the wisdom of sane foundation-building abroad, commit even worse business crimes.

PRESTIGE AND GOODWILL INTRODUCTORY CAMPAIGNS

"Goodwill is as much of an asset as machinery and buildings."

—Herbert W. Hess.

Delayed sales effort will never become popular with the mass of export sellers. This fact makes prestige and goodwill building campaigns more profitable for the few. Impetuous and impatient exporters demand of their sales department that it confine its efforts to the most productive market. "Do it thoroughly or let it alone" is a motto which, because it conceals the whole truth, is dangerous. The motto does not tell what to do. The impetuous and impatient interpret it to mean to campaign intensively or not at all. To those who can see only such a meaning, it should be pointed out that Joffre—a firm believer in the direct attack when circumstances permitted—explained in two words the secondary meaning when he said, "I nibble."

An effective prestige and goodwill introductory campaign was conducted during the War by a Western manufacturer whose output was sold months in advance but who was far-sighted enough to see in his future the need for export trade. Without the right to solicit a single foreign order for immediate shipment because of the demands of the government and his established domestic trade, his problem was difficult. He saw clearly that when the War ended the enlarged capacity of his own plant and of his competitors' plants would mean keen

competition at home. He foresaw also that in foreign fields the competition would be international. He felt that his business future demanded that he place himself in a position to secure—not to solicit—foreign orders the moment the War ended.

Sales and Goodwill Compared.—His first steps were exactly those which would precede an active selling campaign. He accumulated data on markets and buyers and prepared a list of prospective customers and agents. Within his sales force which was partially inactive because he was oversold, he selected three men and commenced their training as export salesmen. In a broad way he prepared the minds of his Board of Directors and executive staff for the later taking on of export responsibility. Particularly he sought the counsel of experienced exporters and learned at first-hand of the markets which would in all probability respond most rapidly to his sales appeal when he was free to sell.

His next step was unique in the annals of exporting. Instead of writing direct to the names on his lists; instead of advertising in media that would reveal his identity and embarrass him with orders, he started a far-reaching indirect campaign. The first step in this indirect campaign was the mailing in plain folders of a domestic magazine which contained an article on his organization. This article was caused by the then recent celebration of the seventy-fifth anniversary of his enterprise. The page on which the article appeared was turned down, so that the magazine opened naturally to show the picture of his main factory.

All Important Details Listed.—His next step was to file his complete business history with banks and a large forwarding company in the territories he was thus slowly developing. By affidavits and photographs, references and booklets he made clear not only his financial stability, but also his size, years in business, quality of products as shown by testimonials and reputation for assistance to his customers, and incidentally the importance of his governmental contracts. This evidence was transmitted to the foreign banks by his own bankers. The letter which accompanied the evidence was written to show clearly that the Western manufacturer was not seeking orders but merely placing the local banks in a position to advise their customers later of the desirability of the American maker as a source of supply.

The Follow-up.—At irregular intervals, in plain envelopes or

wrappers or with the imprint of trade or general publications, clippings and marked copies (which gave evidence of some worthwhile characteristics of the manufacturer or his products) were mailed. Space in certain important daily newspapers was taken and pure consumer publicity used, without more than a portrayal of the manufacturer's brand and packages.

Then came to those on the list letters from important export organizations which the manufacturer had joined and to which he had submitted full proofs of his ability to export well. These letters often merely called attention to the wisdom of investigating sources of supply, and some even did not mention the maker's name, but all laid the thought of reliability which the manufacturer by his proofs with bankers abroad was ready to supply in convincing form.

For months, as the War wore on this manufacturer continued his indirect campaign. Calendars, desk novelties and other curiosity-arousers were used. Blotters for each month came regularly to importers' desks, six to the package. Still no active effort was taken. By the end of the second year the manufacturer's incoming foreign mail was large. But he had prepared for inquiries for prices and agencies. Each letter was answered promptly, courteously and in the language of the writer. In his replies he expressed his appreciation of the inquiry, explained that he was not in a position to make immediate deliveries or firm quotations, but unquestionably would write them fully within a few months when his increasing production capacity would permit the adding of a few friends to his family circle.

Institutional Selling.—Together with his letters—all of which were registered first-class mail—he sent a booklet which, except for prices and details of minor nature, completely cataloged his products, included views of the factories and their staffs, told of the long history of the company and of its facilities for the proper handling of export shipments.

Then the armistice was signed. Without loss of time he assumed the cancellation of government contracts and started his direct selling campaign. His results were satisfactory. They justified the care and expense of the preliminary campaign.

In the purposely slow-developing campaign of the "some day you will wish to know us better," it is often possible to bring in direct selling which will reach the selected few most desirable accounts. This "cream of the market" idea does not

involve the expense of an intensive campaign and is most desirable because it lays a correct foundation for future sales efforts. It seeks out the "quality at any price" buyer and satisfies him. It seeks out the buyers of specialties and prepares the ground for a general sowing and later full harvest. It is not a dangerous type of selling except when it is permitted to be an end rather than a means to an end. For this "cream of the market" slow developing campaign is not reaching its ultimate goal with the acquisition of the sales volume it reaches quickly. It requires hard and persistent effort when once the major tactics of exporting mark it for further development.

THE INTENSIVE EXPORT SALES CAMPAIGN

"You must put your whole body's spirit into doing a thing and must not make light of even the smallest affair."

—Baron Shibusawa.

Because an intensive sales campaign is an exhaustive sales campaign it should be based on exhaustive study of the chosen market. It is not necessary for any but a few peculiar lines to make the study on the field, even though the finishing touches of the campaign be made on the field. The day of the discoverer and explorer has happily passed in relation to intensive campaigns as well as to other phases of export selling. Of particular value are the reports of the commercial attachés, trade commissioners and market investigators of the Bureau of Foreign and Domestic Commerce. The market monographs which have been prepared notably by the National Association of Manufacturers and the Philadelphia Commercial Museum give a wealth of detail which can safely be adopted in building up the frame-work of the intensive campaign.

Market Formalities.—In addition to these sources of information, the peculiarities of and necessary formalities in market after market have been noted by careful students and included in books such as the *Export Encyclopedia*, Filsinger's "Exporting to Latin America;" in the numerous publications of the Department of Commerce; in magazines such as *The World's Markets*, *Export Trade*, *System and Millard's Review*; in trade and export journals published in England and the United States; in reports by our own and foreign consuls; in the bulletins of export organizations; in the records of non-competitive American exporters, and the publications of banks and forwarding houses, credit

agencies and export journals. The task is of selection of material rather than individual exploration of the field in person.

Through a dozen sources lists can be secured of prospective buyers, even in the smallest hamlets. From a dozen sources credit information—which is also sales information—can be obtained. Through frank exchange of plans the novice as well as the expert can gain much, and this fact is so generally recognized in export circles that the expert will gladly examine and criticize any carefully thought out plans and offer suggestions based both on the plan as a plan and on its effectiveness in the chosen market. It must be remembered that the opportunity for intensive study of individual markets is often lost to the expert by his own faulty organization which makes him slave instead of master of his time. To such men it is well worth the time taken in criticism of a plan to get a pre-digested and up-to-date survey of the market.

Samples in Campaigns.—One of the most effective intensive campaigns is based on sampling, but it has been proved in China, India and Greece only recently that with scarcely an important modification it can be employed in lines which for reason of cost or product are barred from the sampling field. In such a campaign distribution must first be secured to the extent that a representative stock, even though small, be ordered. Then, to a selected list of consumers, compiled by the local dealer or dealers, samples are distributed either by mail or in person. Best of all is the plan that necessitates the actual presence of the consumer in the merchant's store to secure his sample.

Following the sample distribution, particularly in cases where use is required over a period of weeks to satisfy the consumer as to the merits of the article, the American manufacturer writes under first-class postage to the consumer, explaining the advantages of his article and mentioning the merchant or merchants who carry it in stock. When the consumer has had the opportunity to test the article and has, by mail, been acquainted with some of its desirable characteristics the manufacturer's "missionary salesman" visits each consumer, soliciting orders for the article (and often for other articles made by the manufacturer), explaining that deliveries and billing will be by the local merchants who will carry for the benefit of the consumer well balanced stocks.

Stocking the Dealer.—These "turn-over orders" are held by

the "missionary salesman" for the arrival of the trade salesman. Thus armed, the trade salesman, who now has orders to prove existing demand, finds his part in the campaign reduced not only to stocking the original retailers but to interesting the wholesalers by using the retailers' orders as "turn-overs." Possibly as a further step he will appoint a manufacturers' representative as a resident agent, using the wholesalers' orders to bring about a guarantee of yearly sales from the manufacturers' representative.

During an intensive campaign, especially in cases where the use of samples or direct letters to consumers have disadvantages or are manifestly unwise, it is possible to create demand and to enlist coöperation through the use of liberal indoor and outdoor publicity; through local newspaper and magazine advertising, and by demonstrations, public and private. In every intensive campaign possible use of displays; distribution of booklets; advertising blotters; the use of prize contests, and moving picture house advertising should be considered and employed if the campaign permits. A principle of moment in the intensive campaign is that both the merchant and user must constantly realize that the product is being intensively merchandised. Even at high initial expense the maker and the article must be made to greet the possible buyer at every turn.

Trade Coöperation.—The selling staff of agents, wholesalers and retailers inevitably can be made to take a greater interest in a product launched by an intensive campaign than one sold by less spectacular methods. Consequently, one of the chief duties of both trade and missionary salesmen must be to instruct, interest and enthuse every selling unit from principal to sales clerk in the product. The days of the intensive campaign are the days to secure concessions from the merchant. With the intensive campaign in progress the merchant will recognize, even from a thoroughly selfish standpoint, the wisdom of displaying in his establishment the wares which are being given so much publicity outside his establishment. Concessions in regard to prominence in display within a merchant's store can be made permanent concessions, particularly in exchange for the consumer orders taken by the missionary salesman. The merchant can often be convinced of the profits he will derive by assigning a separate salesman to the product, or even of bringing into being of a department for the exploitation of the article and a few similar but not competitive articles.

Every effort should be made on the spot and at the time when keenest interest is natural, to place the future development on a sound basis of coöperative effort in which the local trade outlet will have a reason for doing their full share.

EXECUTIVE SUPERVISION OF INTENSIVE CAMPAIGNS

"The scientific man knows why; the practical man knows how; the expert knows why and how."—Henry R. Towne.

It is well for the executive engaged in the pleasurable and profitable pursuit of foreign profits to remember that the title "executive" means more than the seldom-used but often correct title "planner." It is the duty of the executive to see that plans are carried out, that plans are modified, that contingencies are provided for in advance of need and that the unexpected is to be expected. The good executive provides for cabled reports of the progress of the campaign and arranges special codes so that points of strength which the actual action of the campaign may develop.

This is not a useless expense to satisfy his natural curiosity. It is a necessary expense that he may be able to direct the campaign. The right amount to expend in a campaign is the amount which will bring about its fruition. The good executive has in his original planning included many forms of stimulation of dealer interest. If the campaign develops sudden strength he may well direct that some of these plans be postponed or abandoned. If the campaign interest lags and the issue is in doubt he may wisely cable increased appropriations for publicity, extend the period of the campaign or fight the battle on a single form or phase of selling, focussing his selling rays on the one vital spot.

From the memory of the turning-point in past intensive campaigns in markets thousands of miles from the present scene of action, he has at his command knowledge that he can translate into action to meet the present emergency. In the nearby presence of experts who have won their spurs in the very markets under sales fire he can take counsel and gain a new viewpoint. From his knowledge of other export plans he can decide as to the amount which can safely be added to the original "maximum" set. The executive who is content to leave the once-started campaign in the hands of the men in the field and who closes the avenue of appeal to him, is a poor general.

Analysis of Campaigns.—No intensive campaign is without its value elsewhere. The good export man studies not only before but also during and after each and every campaign. He is not content with a statement of results from his field men—he asks for detailed reports. He does not entrust the analysis of these reports to clerks, but regards them as precious because they guide him in estimating the expense, comparing the expense with results achieved and thus opening up for his judgment the real goal—profits obtained.

To clerks may be left the task of recording the essential facts of the campaign. But only the executive can be entrusted with the verdict based on the facts.

BY-PRODUCTS OF EXPORT SALES CAMPAIGNS

“The good business man demands the full purchasing value of each dollar spent in sales effort.”—H. B. Maxwell.

One of the hardest tasks of man is to complete the well-begun. When the success of the export sales campaign is demonstrated by pleasing profits the temptation is always to relax. But investment in sales endeavor should follow common sense planning. The gleaners must follow the reapers if full profit is to be realized. It is a growing and a wise custom to have the “missionary salesman” remain in the territory for several weeks after the active campaign. This method insures the completion of half-made sales, the gleaning of orders from merchants who are over slow buyers and the re-enthusing of salesmen who have lost their first interest when the spectacular changes to the regular.

The Salesman’s Part.—A second and a vital reason for the planning for the continued presence of the salesman is to correct any mistakes, to rectify any failure fully to live up to promises and to handle any criticisms which are the inevitable aftermath of any selling effort involving many humans in many walks of life. The salesman’s presence is the step which definitely links the past with the future. It is natural that the transition from the introductory period to the era of regular and increasing sales at normal expense should invariably bring with it problems which are best solved and remedies applied before the scratch becomes an infected wound.

If an agent is a desirable means to continue the selling cam-

paign then the salesman, forearmed with credit as well as sales information, should make the connection while on the ground. He has definite advantages to offer and definite instructions and suggestions to give, all of which are best presented at first hand. If the product is one requiring considerable investment; one which requires technical skill and the establishment of service depots, an agent is a real necessity unless substitutes of unusual nature are found in one market which are seldom available in the range of the world field.

Style Centers.—Certain cities, even interior cities, prove in the course of selling campaigns to be style centers whose influence is felt for hundreds of miles in the territory which they either serve direct or as leaders in fashion. One of the most commonly overlooked by-products of export campaigns is the value of the influence of these style centers and the proper treatment of the style center so as to capitalize its sales and publicity value. It is significant that the leading exporting manufacturers who make investments rather than expenditures in the export field seem amazingly liberal in cases where style centers are found waiting.

It is important as a by-product of export campaigns to determine from data gathered from every possible home and field source the consumer and trade saturation point. Unless this saturation point is definitely determined and the point of diminishing returns located, over-great expectations and expense based on expectations may rob the profit column by over-investment. Fortunately, it is usually true that possible sales volume is more easily underestimated than overestimated. This was well proved within a few months, when an exporter with an elaborate organization and sixty years' experience in foreign selling confessed, "The War proved conclusively that our most careful estimates of the consumption of our products in nearby Cuba were less than 30 per cent of the correct figure. Our evidence was correct, but upon re-examination in the light of the proved fact of our increased sales we found that we had invariably discounted reports of European competition. Our European competitors, as we know, had on their books almost a hundred merchants who were unknown to us because we never included them as outlets for our particular lines."

The Re-order Test.—American manufacturers are potentially good exporters, because they do not consider a sale well made until the re-order arrives. They are good exporters because

they aid the foreign buyer to sell as well as to buy. They are good exporters because they take pride in as well as profit from their successes. They are good exporters because they take business as their great game in life, and, because they regard it as a game, want it to end in friendships.

CHAPTER XXVI

TYPICAL EXPORT SALES CAMPAIGNS

"Successful international trading rests on bigger things than mere exchanges of commodities; these in their fullest development follow mutual knowledge and understanding."

—James Davenport Whelpley.

Causes of Failure in Export Selling. Distribution Must Go Hand in Hand with Created Demand. Consideration of the Campaign Plan as a Whole. Patented Pencil Campaign in Argentina. Example of Unsuccessful Campaign with Paint Removers. Analysis of Appeal of Product an Important Factor. How Unsound Competition Can Be Checked. The Four Great Elements in an Introductory Campaign. A Typically Good Campaign Described in Detail.

The one great failing which is almost typical of American manufacturers whose products demand re-orders to show a profit, lies in the lack of proper anchorage in their foreign sales campaigns. Too often the introductory work is carried out to impress a reluctant dealer, and in such a manner as to prove it without thought of the ultimate channels of trade through which created demand must be filled.

Before starting to construct an introductory campaign, it will prove profitable to examine the causes of loss in several campaigns which seemingly possessed merit.

Unsound Plans.—One highly successful opening which ended disastrously, was that of an American boxed food product in Chile in 1913. A well-devised plan to excite consumer interest created such immediate demand that the supply was exhausted almost overnight. This demand, coming as it did through many retailers, caused bitter feelings at the supposed preferences given by the wholesaler who acted as agent. This error of inadequate local stock was combined with a six weeks' delay before further stock was obtainable and a careless error in connection with trade-marks. The antagonism aroused in the agent's mind by a chance shipment through a New York export commission house also led to increased consumer, dealer and agent dissatisfaction.

A prepared paint manufacturer in the Middle West, whose

export manager was limited by the smallest of appropriations, brought his line into demand of a large and influential class of users in Peru by an ingenious and well carried out "all-by-mail" campaign. His efforts to secure distribution in advance, however, were not equally well planned, and failed utterly. The user found himself unable to buy. He did not receive the promised full-sized free samples, as these were to be shipped with the non-forthcoming dealer orders. Some few were so impressed with the descriptions of the product that even this discouragement did not end matters. But even these found that the freight or express charges were prohibitive on the quantities they would buy for their own use. The final result was an uphill fight a year later with only the memory of the quality of the small mail samples as an asset, and disgusted users and dealers as a monumental debit.

Costly Errors in Campaigns.—There is decided necessity for consideration of the campaign plan as a whole. A New York maker of hammocks combined a creditable product, excellent retail export catalogs, sales letters that left little to be desired and a prompt and sincere demand. These assets were all lost by the failure to figure correctly the laid-down cost to the dealer. As a result, the user was quoted prices by the American manufacturer which represented a loss to any dealer.

It is worth while to examine the details of other successful and unsuccessful introductory campaigns, noticing the manner in which these combine or fail to combine every possible effort on the part of the manufacturers and dealers.

A SUCCESSFUL CAMPAIGN

Product: Patented lead pencils.

City: Buenos Aires, Argentine Republic.

Agency Arrangement: Firm representing various English and American stationery lines, selling only wholesalers.

The manufacturer had first investigated the territory through the export organization to which he belonged and through the export papers in which he advertised, and had selected the firm seemingly in the best position to introduce its products.

To it the manufacturer offered its best discounts and offered shipments with ninety days S/D against B/L, D/A. It guaranteed a commission of 10 per cent on any direct sales in Buenos

and protected them by 10 per cent on prices against any firms sold direct.

Commissions and Protection.—Commission house sales were also subject to his 10 per cent commission and the agents were protected by 10 per cent on these. An agreement was signed which involved these features:

1. Sole agency for Buenos
2. 50-10-10 per cent discount from list prices
3. Shipments with 90-day S/D attached B/L, D/A
4. Introductory campaign at manufacturer's expense.

The agents agreed:

1. Not to handle any direct competitor's lines
2. To cooperate in introductory work
3. To sell to reliable firms a minimum of \$1,500 in the first year of the five-year agreement, and an increase of 50 per cent each succeeding year.

The introductory plan, which was the sales argument which made the contract acceptable to the agents, was based on creating a demand by "educating" both consumer and trade.

Sound Consumer Sampling.—The manufacturer prepared four styles of samples:

1. A single medium hard pencil in an individual box, with a circular in Spanish describing its self-sharpening and eraser-protecting device, and giving the agent as a source of future supply.

These samples were sent out by the agent to a selected list of 1,000 smaller offices, directed to the buyer of office supplies and accompanied by a letter on a special letterhead bearing the names of both the manufacturer and the agent.

2. A set of the four best selling pencils to a list of 500 larger offices. A similar letter, but including a coupon good for ½-dozen of any style, and a retail price list circular were used as enclosures.

3. Display sample sets of twenty-five styles were distributed to two-hundred and fifty retailers by an employee of the agent, and to each retailer a special assortment at a net price equal to \$15 was offered showing a 100 per cent profit, and an assortment of blotters and circulars imprinted with the dealer's name was used as an added inducement, while the consumer sampling campaign and the merits of the pencils themselves were dwelt on.

4. Wholesale price lists and sample books combined were distributed to the wholesalers who were given a 30 per cent margin. These were bound in imitation leather and folded to pocket size, showing the twenty-five styles already known to retailers, and were intended for use by the wholesalers' salesmen.

Standardization of Price.—The agents who were the leading stationery representatives were able to get an agreement both

as to retail and jobbing prices before the goods were really on the market, preventing price-cutting and insuring an attractive profit to all concerned.

The manufacturer with his knowledge of consumers' preferences in other Latin American markets and information furnished the agents, was able to guide intelligently the initial purchase of the agents so as to meet demands for all styles and yet not overstock.

The samples were included with the agent's first order, so that from the mailing of the consumer samples to the familiarizing to the wholesale-retail trade, less than a week elapsed.

Turn-over Orders.—The next step was a personal visit to the larger consumers soliciting orders through their retailer, and signed orders were politely suggested. With these orders to handle the retailer was willing to place an order of double the amount and give his wholesaler's name. The wholesaler, in turn, was glad to accept these orders again doubling the quantity, as he was at no sales expense and, like the retailer, felt it wise to order in sufficient quantity to be able to fill re-orders from stock.

In the meantime, many of the smaller users inquired in regard to prices and sources of supply. The orders which resulted from these inquiries were placed through retailers. This further increased the size of the retailers' orders, and forced the wholesaler to increase his purchases. The manufacturer, who received copies of all orders, wrote each purchaser a personal letter of thanks and offered expert advice in regard to the best pencils for particular purposes.

Utilizing Dealers' Windows.—A window display campaign was started. Three styles, varying from an assortment of lithographed signs to large moving displays which were loaned for two-week periods, helped in connecting the smaller firms sampled with the dealers handling the line.

The manufacturer was sent a list of all firms, both users and trade, who had been sampled. Three attractive three-color bulletins in Spanish were mailed at two-month intervals to the users, retailers and wholesalers, who for various reasons preferred not to buy from the agents, were sold f.o.b. New York at prices figured to be about 2 per cent higher than the agent's price to wholesalers delivered Buenos, and the agent promptly credited. Retailers' orders through commission houses were filled at a schedule 10 per cent less.

Important Details Covered.—No newspaper, outdoor or street car advertising was used. The direct attack with the goods themselves on the user was felt to be so effective that other means would be largely wasted. The brand name and patents were protected in the manufacturer's name before the first samples were distributed. Each succeeding year the lists were carefully revised and new efforts made to interest both the smaller trade and the large and small user.

The first six months' sales more than paid for all introductory work. At the end of three years the pencils were the best selling high-grade pencils in Buenos, and sub-agencies were placed in Rosario, La Plata, Bahia Blanca and Cordoba.

It is of interest to note that the first year's sales exceeded the amount called for in the third year of the contract, and that the second year's exceeded the minimum set for the fifth year.

AN UNSUCCESSFUL CAMPAIGN

Product: Line of Stain Removers.

City: Melbourne, Australia.

Agency Arrangement: Largest wholesaler and retailer.

Here the agency was solicited by the wholesale and retail drug supply house as a result of a limited demand due to advertising in certain export magazines.

With the granting of the agency, liberal samples were included with the first order. Advertising matter of many kinds, attractively printed, was sent, and the agent informed of successful methods of distribution employed by many other foreign customers.

At monthly intervals the manufacturer wrote the agents with inquiries in regard to their success in introducing the removers.

The Advertising Angle.—Six months after the arrival of the shipment the agents wrote that the stain removers were not selling rapidly and asked for a \$500 advertising appropriation for newspaper publicity. The manufacturer compromised at \$250, with an additional \$250 if results proved satisfactory.

The advertisements were well worded and printed from special electrotypes provided by the manufacturer, but as the goods were not well distributed inquirers were seldom able to buy them and no real results could be traced.



FIG. 20.—Visiting the Chinese trade. The Shanghai Manager of United States Rubber Export Company, Ltd. calling upon dealers in Hankow.

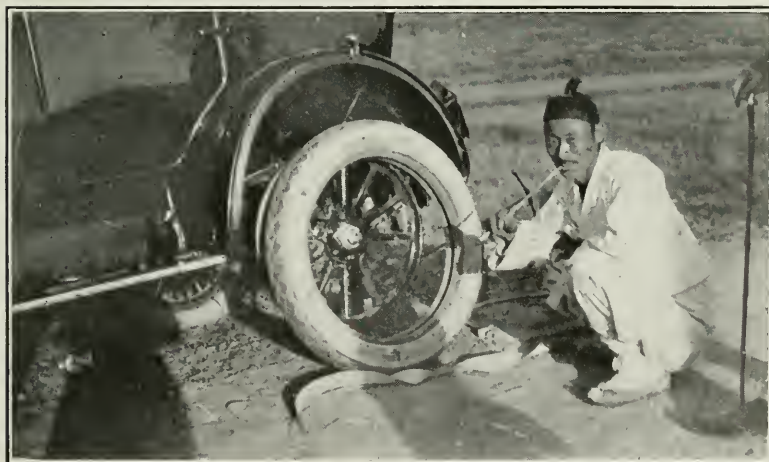


FIG. 21.—Goodyear tires in Korea. The ancient philosophy of the Orient faces a problem of today.

Early Cancellation Questionable.—A year later, when no substantial gains had been made the manufacturer gave notice of cancellation of the agreement which was allowable under its terms, and solicited orders direct from dealers. This resulted in very unsatisfactory returns and ended all serious efforts to gain the market of Melbourne.

Secrets of Success.—In the case of the patented pencil severe competition existed because for decades pencils of high and low grade had been urged on dealers, and salesmen direct from the German, French and English factories had visited the trade. The thoroughness of the campaign and the provision for creating a demand and handling the demand insured success from the start. By protecting both the retailers' and jobbers' profit and by preventing harmful imitations by the patents and the trademarks a sure future was ensured.

By eliminating all possible waste a larger amount of introductory work was made possible. The one vital element, however, was the *coöperation* of the agent and the manufacturer.

The selection of users to be sampled, the retailers and jobbers to be solicited and the careful following up of the work was an absolutely essential part of the campaign. The attractive sample sets, window display, advertising matter and direct letters, together with the selling plan, were no less essential.

Causes of Failure.—In the case of the stain removers no real competition existed. To be sure, the retail druggist would recommend various chemicals to remove certain stains, but the ready-to-use stain eradicator was needed but not on sale.

The first handicap to the plan was the antagonism of the other Melbourne wholesalers on account of the agent's retail department, the second, the lack of talking points about the introductory consumer campaign; for, frankly, all that could be urged on this line was that liberal samples and advertising matter would be given free.

Compare this as a sales argument with that of a handful of signed consumer orders.

There could be no strong talks on maintained prices, proved demand and increasing sales, as these were not clearly enough defined in the manufacturer's mind.

It will be seen that the theory of introductory work as outlined elsewhere in this chapter is exemplified in the pencil campaign, while a failure to recognize that there is any necessity for knowl-

edge of general principles is responsible for the well-meant but unwise methods shown in the stain remover campaign.

Adaptation of Domestic Campaigns.—Careful students of business conditions and methods in foreign markets unite in their opinion that sales ideas which have made campaigns successful in the United States, almost invariably prove successful overseas. The slight modifications sometimes needed are usually clearly indicated in advance. The fundamental basis for an export introductory campaign is suitability of the product for its market. Refrigerators must follow ice-making plants in many Latin American markets. Experience proves that the first price of the product to dealer or to user, whether above or below its competition, has no great effect on its chances. Abroad as at home, a good salesman will sell with either quality or price in his favor, while a poor salesman with both in his quiver, will starve to death for lack of weapons he can use. Against competition, the sales appeal of which ends with a formal quotation and sending of price list, the intelligent presentation and explanation of points of merit, plus actual sales assistance, often can eliminate the price factor at the outset.

Importance of Correct Appeal.—This makes it clear that the appeal of a product should be carefully analyzed. The proper arguments must be in approaching agent, dealer, and consumer, for these may be of entirely differing natures. At the very start of any correct analysis it will be found that a consumer considers it a strong argument if he is offered a larger quantity of any product for the price he would customarily pay for a smaller quantity. When we seek to find the dealer appeal in this, we find it lacking. For any dealer would prefer to sell a *smaller* quantity for the same price.

An excellent illustration of this point came in a talcum powder for which persistent newspaper publicity built up a consumer demand in Central America. The equivalent in Spanish for "Ask for the larger can," at the outset impressed dealers to the point of placing trial orders. An alert American competitor, instead of yielding to the temptation to lower his profit margin and compete on the quantity per price unit basis, capitalized the error by direct appeal to the dealers' profit column. The standard maker simply pointed out these two reasons for giving his product preference:

1. That the larger can nearly doubled shipping weights and measurements, increasing freights and duties and, as a consequence, delivered cost.

2. That by giving twice the quantity of talcum powder, the consumer was removed from the market for twice as long with no compensating profit. We can note to our advantage that the standard maker did not cloud the issue by any reference to quality or demand.

The Double Sales Argument.—This axiom, that a good sales argument is without value unless directed at the right party, will prevent lost sales if embodied in practice. A double appeal to dealer and user is naturally the ideal solution, which in the case cited might well lie in an attractive and convenient container holding as little as that of any competitor. To the consumer, the arguments of saving of time and temper and protection of the powder would appeal, while the dealer would not fail to be impressed with greater initial profits and more frequent re-orders, to which the alert maker would add service and sales helps.

ELEMENTS OF INTRODUCTORY CAMPAIGNS

The export introductory campaign must embody four distinct elements:

1. Suitability of product
2. Correct division of appeal
3. Education of user
4. Trade distribution.

“Creation of demand” is not an adequate substitute for “Education of user,” but merely one of the elements. It is re-order business that American manufacturers seek. Re-order business often must be based on education of the user to his need and to the qualities of one product as against all others.

Value of Correct Division of Appeal.—It is a common oversight of superficial students of export trade to omit “Correct division of appeal.” The little excursion into the reasons for campaign failures has shown it to be of as great importance as the quality of the product, and of even greater value. Investigation has taught us to get under the surface of the problems. By departing from the rule of considering export merchandising problems just as in domestic sales problems, many beginners court disaster. It is a faulty conclusion that a crossing of boundaries furnishes an antidote for unsound practice.

A MODEL EXPORT SALES CAMPAIGN

An imaginary export sales campaign typical of better American exporting is given here for the instruction of the novice and the comparison of the veteran.

Place: Imaginary Latin-American republic of Argperec, a country divided into two geographical and political units of which the markets are La Rio and Santival.

Time: The present.

Line: Toilet preparations.

Territorial Divisions.—Preliminary investigations through export organizations made it clear that no one firm covered both sections of Argperec, and that each division needed separate consideration. On account of its greater importance, first attention was turned to La Rio. But it was found that the ideal of selling all wholesale houses was impossible, as already a number represented competitors.

To offset this, however, it proved that one purely wholesale house which had previously specialized on toilet preparations, representing a world-known French line, had come to the end of a five-year contract and, in view of the European situation, was forced to consider a change.

Before realizing upon this information, a careful study was made of discounts and policy, so that the manufacturer might protect from the start all concerned in the re-sale of his products.

Trade Discounts.—On this basis he made the agent's discount 70 per cent.

Discount to the wholesalers they might interest, 60 per cent;

Large retailers, 50 per cent, and small retailers, 40-10 per cent.

To protect prospective agents against competition of export houses, a sliding scale of discounts was evolved, based on the nature and importance of their customers. In addition to the 2 per cent cash discount to the export houses, special inducements were offered, forfeitable in case agents failed to live up to the sliding scale plan. As a final argument for coöperation, only the 40-10 per cent discount was offered to export houses who were unwilling to coöperate with the manufacturer.

Long Credits Avoided.—French competitors had offered their agents, as a regular practice, terms of sixty days from date of invoice, payment at six months' time, charging 6 per cent interest for the four months' interval. But the American manufacturer

knew from experience that his lines could be sold on a sixty-day documentary sight draft acceptance basis and show the agent both a rapid turn-over and a pleasing profit margin. He, therefore, stuck by his guns.

With the market known, and discounts and terms settled, the American manufacturer was in a position to take the aggressive with his prospective agent. He wrote offering the 70 per cent discount f.o.b. steamer New York, shipments to be made with sixty days' sight draft attached to bills of lading, documents against acceptance. To the better was attached an estimate showing the approximate laid-down cost in La Rio of all leading lines. Here, again, export organizations proved their worth by furnishing details of duties, freights and insurance.

Protecting the Agent.—An explanation of the series of discounts was made, pointing out the protection given against outside competition. While retaining the right to sell direct when unsolicited orders were received, the manufacturer showed himself willing never to extend better than a discount of 60 per cent on direct sales on which the agents would receive a commission.

To capitalize the strong sales value of tangible evidence, there was sent (prepaid in every way) a shipment of samples of the most attractive lines, each item fully identified. Every comparison with their competition was urged. Advertising literature in Spanish, of course, was not slighted. Methods of distribution which other Latin-American dealers had found advantageous were pointed out merely as suggestions.

The real kernel of the long letter was the introductory plan. This was explained in detail. Frank criticism and suggestions were requested. Underneath the courteous phrases, the advantages of handling these products were pressed home, all but taking their acceptance of the agency for granted.

INTRODUCTORY CAMPAIGN METHODS

This introductory plan had two divisions. One included arguments to use with the retail trade. The other insured from the start a consumer demand so that the trade could not become weary waiting for goods while dealers' purchases were on the way.

For the retailer, an assortment was made up containing only a few novelties, in addition to the staples which the manu-

facturer planned to feature with consumers. As a premium, a lithographed metal cabinet, serving the triple purpose of advertisement, storage and automatic sales assistance, gave the offer immediate sales appeal.

In order that the retailer would aid in the endeavor to interest users, the American manufacturer prepared a handsomely embossed label which, at little expense, was printed with the retailer's name as donor of the sample it identified. With dealer literature for free distribution and the agent's promise of a city-wide sampling, the retailer answered for himself the usual arguments against stocking a new line.

Securing Coöperation of Retailers.—A further step toward the essential securing of the co-partnership of the retailer came in the method of sampling. It was explained that each purchaser of the retail assortment was entitled to have fifty women sent samples. As an individual touch, these women were written directly from the factory and the retailer's name mentioned as a source of further supply.

The really important part of this lay in the fact that the dealer, in order to live up to his part and supply the fifty names, was forced to overcome his natural inertia and to become a partner in fact as well as theory. This ensured a personal relation from the outset. The dealer's natural curiosity and interest in the success of the plan proved more valuable to the manufacturer than even the profit on the initial orders.

Coaching the Agent.—The manufacturer, of course, was careful to make clear to the agent (for he had convinced himself by this time of his certain acceptance) the best wholesale, retail and consumer appeals of the lines as a whole. The exceptional merits of the one or two leaders as examples were given in detail.

After another exchange of letters the agent was secured on a contract covering five years, subject to the usual cancellation clauses. The agent then placed an initial order of the size indicated as binding the manufacturer to the introductory work planned.

With his initial order the agent included lists of wholesalers and retailers to whom the manufacturer wrote using the appeal which applied, and emphasized the introductory assortment.

Coördination of Effort.—Before the agent's first order left the American exporter's factory the agent's activities resulted in reports of sales and lists of consumers. From the receipt of the

first of these reports until every possible consumer's patronage was secured the manufacturer labored incessantly in living up to his promises. Not only were samples and letters sent, but also at monthly intervals the manufacturer refreshed users' memories by well-illustrated private post cards showing some product in its natural colors.

When the staple lines were well introduced, profit bringing specialties were featured without sampling. For a full year from the first letter to the agent all efforts were centered on selling the widest possible variety of products. Naturally, the possibilities of any items which failed to make a strong impression at the outset were not overlooked. By persistent effort these were brought to a suitable prominence.

Once the products were well launched, the agent was left to continue the work. For with the American manufacturer's regular advertising matter and samples, plus his selling ability, the question of steadily increasing sales volume was certain.

THE SANTIVAL CAMPAIGN

In the meantime, an entirely different problem was faced in Santival, the important market of Southern Argperec. Here, from the number of wholesalers in a position to handle the lines, all of whom had an established clientele, it seemed most unwise to antagonize the majority by appointing any one firm as an agent.

Investigation located an enterprising firm of manufacturers' agents who already sold several drug lines and who showed a strong desire to prove their ability to act as resident representatives. To this firm, once satisfied that they enjoyed popularity in the drug trade, and a reputation for honesty and energy, an exclusive agency was granted. These agents had no facilities for carrying stock. They represented the American manufacturer on a yearly basis, just as a salesman would on a trip.

Compensation of Agent.—Their compensation was based on commissions. The difference between the discount they extended and 70 per cent represented their "salary." Naturally, this furnished a distinct incentive to get the right price. In no case were the agents allowed to sell at a better discount than 60 per cent to wholesalers, or 50 per cent to retailers. On all

indirect sales they were recognized exactly as on their own direct sales.

The agents retained the option of direct shipment and billing to their customers by the manufacturer. When the agents felt that their knowledge of intimate conditions would allow them to extend credit where the manufacturer would hesitate, the agents assumed the credit risk by instructing the manufacturer to bill these shipments to them.

The sales policy and introductory campaign was identical, in the main, with the procedure in La Rio, although it proved to advantage to have the agents unbiased in assuming supervision of all sampling plans and acting as the manufacturer would have his own salesman act in similar circumstances.

Analysis of Campaign Fundamentals.—To check practice as against theory, it will be noted that:

1. Suitability of product was determined
2. Appeal was properly divided into
 - (a) Agency arguments
 - (b) Wholesaler's arguments
 - (c) Retailer's arguments
 - (c) Consumer arguments.
3. Education of consumer was accomplished by samples and booklets.
4. Distribution was made a fact throughout the chain of users and sellers and its future insured by proper division of profit, and creation of demand.

Campaign Costs.—With a complete year as a base, the cost was determined of laying the foundation in Argperec for an export future. The expense items fell into three groups:

1. Cost of securing agent
2. Cost of securing trade orders
3. Cost of creating consumer demand.

The principal items of all three were postage, samples and credit reports. They did not exceed 10 per cent of the volume of business called for in the agency contracts, for no newspaper or other publicity was employed at the manufacturer's expense, or advertising allowance made to the agents.

Dealer Helps.—The American manufacturer furnished, in addition to the consumer literature, electrotypes of products and advertisements with consumer appeal in Spanish. These were so plated as to allow the dealer's name to be the prominent feature. The agent assumed for his own expense all paid local advertisements, which are commonly a problem to the manufac-

turer until he is able from experience to judge their effectiveness.

The population of the republic was 3,500,000. The sales in the first year were \$10,000.00. They should increase, with nominal sales expense, to \$25,000.00 per year within the first four years. Under at all favorable circumstances this ratio of increase would be far greater, particularly as the line was of wider variety than any competitor.

Small Risk Involved.—The real safety of the campaign came through the fact that its profits commenced almost with its inception. At no time did the American manufacturer stand to lose more than a few hundred dollars, as against the possibilities of profits on the thousands in sales.

CHAPTER XXVII

HOW TO CONSTRUCT AN EXPORT SALES CAMPAIGN FOR A SPECIALTY

"Behind the American export sales campaign there should be the complete knowledge of all that is best in American exporting. Each executive owes it to others to maintain the high standards established by their care and thought."—Robert M. Eames.

Three Absolute Essentials in Exporting. Faulty Export Organization a Barrier to Successful Campaigns. Changing Losses to Profits by Supplying Missing Ingredients in Export Recipes. Typical Specialty Campaign Abroad Given in Detail. Cost and Results Compared. Year-by-year Expense and Sales Comparison Made. How to Analyze, Classify and Use Selling Points. How Advertising, Salesman, Correspondence and Samples can be Combined in a Single Campaign. Coöperation with Resident Agent Portrayed.

There are three absolute essentials with which any manufacturer must comply in order to have valid hopes of a profitable foreign business. In order of importance these are:

1. Honest products
2. Honest policies
3. A real desire for export sales.

Too many beginners in the foreign fields stop with these three, and having passed a vote of confidence in their products, policies and export ambitions, sit back and await applause in the form of orders.

Sales Effort Essential.—The great majority of goods must be sold. Aside from novelties, and a few American-made specialties which serve purposes not met by other domestic or foreign products, it is a truism that any one must prove himself a better salesman in order to wrest foreign trade away from those who now hold it. In the surface details of exporting (which cover correct shipping, packing, invoicing, translating and commercial practice) the latter are practically perfect; in values given and prices asked they at least meet the market. The American manufacturer who wants to export, therefore, must meet this excellence in surface details and products, and add something tangible and attractive in order to supplant foreign rivals.

Management Viewpoint.—One tendency in domestic business

has militated against great success in our foreign endeavors. This tendency is the creation of specialists as department heads to carry out the policies laid down by boards of directors and executives. When entering the foreign field the natural course is to carry over this policy and either hire an outside man with export experience or promote some employee to the export manager's position. At once a serious source of loss is almost certain to result, for unless the highest officials of the business take time to learn their export possibilities and lay plans to capitalize these, real progress is impossible.

An outsider, no matter how well informed he may be on export markets, will have much to learn of the business, particularly as to the degree of coöperation he can secure. A promoted employee can hardly be expected to have the broad viewpoint necessary to plan a campaign which will make proper use of the four sales forces. It is essential that export activities be based on something more than a prejudice in favor of correspondence, salesmen or advertising as the proper selling agency, and that some method be adopted to insure that expenditure shall not be a haphazard spreading of appropriations. Well balanced campaigns are needed. The novice must beware of considering any one agency, correspondence, sales or advertising as sufficient or of preponderating value.

A CAMPAIGN THAT FAILED

The failure of an export effort made by a manufacturer of power boats can be examined with profit. In this failure the maker should shoulder the blame, as the methods used were unsuitable. In 1910 the western salesmanager of a valuable export publication became interested in foreign markets for American motor craft. He made an exhaustive study, not only of actual imports into every foreign country, but also of local production within each country. Through correspondents and agents, the class of men who would naturally be most interested in the use of power boats was consulted. An amazingly complete volume of specific data was secured and collated.

Excellent Results from Advertising.—With this report the export journal's representative convinced an American manufacturer that the possible profits were worthwhile. He proved

that the advertising medium would reach prospective buyers of his boats. A contract was signed for twelve full pages and the manufacturer promised to give all inquiries prompt attention. From time to time the magazine forwarded names of interested parties, and through its translation bureau learned that the advertisements had attracted favorable attention and had led to several hundred promising inquiries. At the end of six months a telegram from the power boat maker requested an immediate conference on a matter of great importance.

The representative of the export journal found on his arrival that out of all the correspondence received the manufacturer had answered only those letters which contained actual orders, and that all orders had been filled without the slightest credit investigation. The explanation was amazing: "We haven't any force to answer inquiries in a foreign language. We felt that if 'these people' were really interested they would order. We thought your subscribers were honest. We didn't want to insult them by holding up their orders while we wrote them for references. One firm ordered six boats, and we shipped them. The invoice is now due on our thirty-day terms, and they have not paid; nor do they answer our letters."

An Incorrect Deduction.—To complete the story, the invoice was never paid. The advertising was counted a failure, from the maker's standpoint, and another reliable firm joined the ranks of those who declare: "There's nothing in exporting; we've tried it, and we know."

On a conservative estimate, based on the experience of another power boat maker (who used half as much space in the same magazine at the same time), the inquiries received should have resulted in legitimate orders amounting to over \$30,000. This second manufacturer was also a new exporter, but he realized that advertising alone could not bring 100 per cent results. So he added two salesmen to travel in the countries from which the inquiries received indicated the greatest possibilities of sales.

Changing Failure into Success.—A New England maker of shoes averted a similar failure after undue reliance upon correspondence alone to close sales. He sought sales in highly competitive foreign cities. His well-handled letters secured several trial orders and a few real customers, but as a whole the results did not justify his expenditure of time and money. He had ample financial resources, and knew that a competitor was

steadily increasing its export sales. Pride forbade his abiding by the results of his first tests. When experience demonstrated that unsupported correspondence was not a paying proposition, because of the greater efforts of competition, he balanced up his campaign with local advertising and the services of two combination salesman. Shortly afterwards his profit column began to show pleasing figures. He is now well satisfied with the results in the foreign field.

Those who feel that salesmen are the last word in any merchandising, either at home or abroad, may be shocked to learn that the losses coming from the exclusive use of salesmen abroad are probably greater than those resulting from either correspondence or advertising failures. This is due, of course, to the greater investment involved by the salesman's salary and expenses.

Why Salesmen Sometimes Prove Costly.—Time after time, American manufacturers have sent salesmen—good, bad and indifferent—to Europe and South America (strangely, seldom elsewhere without good reason) without dependable advance knowledge of conditions or adequate authority to deal with them, and have reaped a harvest of losses. Often the reason was lack of preparation. Still more often the salesman was driven to abandon direct selling to make friends for his house. Dealers who had been promised regular visits, consumer helps, advertising and what not by preceding travelers, absolutely refused to deal with a new firm whose salesman was the first to acquaint them with its existence. One salesman who started out with the samples of eight Chicago manufacturers did not make even one sale on the west coast of South America, except orders conditional on consignment, because his houses had failed to use either correspondence or advertising to introduce themselves and thus make it possible for him to talk goods and prices on his first trip.

These specimen failures indicate that, except with unusual products and under unusual conditions, no one selling force is sufficient. But it is not enough to admit this, and act on it. The correct proportion, order and correlation for using all three must be determined before really efficient export work can be begun.

Latent American Potentialities.—Fortunately, it is true that where the American manufacturer is weakest in fact (this does not apply to the best of American exporters who are the best

exporters in the world) he is strongest in potentialities. Sound exporting is a question of combining the known factors of good goods, wise policies and a knowledge of selling tactics and to solve export problems as they arise. Add intelligence and hard work to the desire for foreign business, and the formula is complete.

The broad question of universal export trade is not in question. It is the problem of the methods to employ in specific markets known to be worth special attention, which should be analyzed in the light of their possibilities. Buenos Aires is coming to be known for what it really is—a city of 1,700,000—with buildings, public service companies and inhabitants typical of the leading cities of the world. It offers a market for everything for which Boston, New York or Chicago is a market. There is no question whether Buenos Aires will buy cash registers or safety razors, artificial wall board or toilet articles—it has, does and will.

BUILDING A SPECIALTY CAMPAIGN

With these facts in mind, how should an American maker proceed to develop his share of prospective trade for a line of dictating machines? To secure an adequate idea of the size of the market (ignoring the possibility of locally-made typewriters) the total imports for ten years of typewriters into Argentina should be studied. These figures can be obtained from the Pan-American Union or the Bureau of Foreign and Domestic Commerce, both in Washington. Additional information can be obtained through our Government in regard to competing machines of foreign manufacture in use in the Argentine. From the two leading export service institutions—the National Association of Manufacturers and the Philadelphia Commercial Museum—data can be obtained which will enable the manufacturer to make f.o.b. New York quotations and to approximate the laid-down cost, duty paid, in Buenos Aires.

Pre-campaign Decisions.—It can be assumed that a decision is made against elimination of direct sales to consumers and against the establishment of a branch house in the Argentine. This would limit the field to the question of agency handling or general trade distribution. To decide this wisely, the nature of our product must furnish the answer. Is the article one which demands a central stock from which retailers and even whole-

salers can be supplied? Does it demand widespread trade distribution? Can it be sold direct to dealers without the necessity of a central stock? Can it be sold to best advantage by a single agency dealing direct with users? Does it require an exclusive service bureau for instruction and repairs?

Any good line of dictating machines obviously falls into the latter class. Following domestic precedent, it should be sold by an exclusive agent direct to the offices where it will be used, rather than distributed to dealers to re-sell. This decision made, the next problem is to find the agent who will best serve the manufacturer's interests by securing the sales volume to which it is entitled by the service he is prepared to render and the possibilities of Buenos Aires.

Market Analysis.—The market itself demands further analysis. A stock of dictating machines in Buenos Aires will be an essential, together with a repair department and salesmen capable of presenting the economics and advantages of the device to users. Further, it becomes apparent that in a city of 1,700,000 the maker must do more than grant an exclusive agency. The size of the market forbids its quick covering by any sales force the manager can expect an agent to employ. From the start, the maker will be forced to build his campaign on a combination of sales methods determined by knowledge of what each will do in conjunction with the others.

How shall the manufacturer proceed in his efforts to secure a suitable agent? From lists of manufacturers' representatives and agents for such lines as typewriters, adding machines and office appliances he can select these firms which credit reports on file with export institutions prove to be long-established, honest and of adequate financial resources.

Avoiding Cheapening an Agency.—If he cared to write all prospective agents it would be a simple matter of preparing a form letter in Spanish, setting forth his proposals and asking for a decision. This would be a lazy man's method, sure to result in complications and recriminations. Sooner or later it would be common knowledge in trade circles that the American manufacturer was offering his agency broadcast. The natural conclusion would be that it was not worth considering.

Again, he might use the Buenos Aires newspapers or American export trade journals to make known his desires. This would be preferable to the form letter method, but still would prove unsatis-

factory for lack of surety that it would appeal to the one best fitted for the agency. The method which would be highly desirable in seeking *dealer orders* might well be suicidal in a search for an exclusive agent.

Estimating Probable Sales.—In general, every manufacturer should know what qualifications an agent must possess. Before approaching him it must be decided what the manufacturer can offer an agent. Based on investigation of the market, as indicated by the typewriters in use, modified by what has been learned of local conditions, tariff duties, commercial practice and like details, the maker can estimate probable sales, so that he may determine the amount which he can expend with a fair chance of return. This can be considered over a five-year period, as the heaviest expense is certain to come at the start, when the probable returns are the least. If such estimates were mere crude guesswork, any manufacturer would feel disinclined to plan a comprehensive campaign immediately. In a proved market his product might fail utterly if he refused to consider a greater expense than descriptive literature in Spanish, a few letters and a demonstrating machine for his agent. An introductory campaign of merit carrying with it his coöperation would probably win acceptance from whatever agent he selected, and on the agent's part the expenditure of sufficient energy and capital as would insure success. All of which points to the sending of a personal representative to examine the ground, select the agent, and coöperate in the introductory work that counts for so much in the final results.

Coöperation the Manufacturer Can Extend.—What, then, can he offer an agent? First, and of greatest importance, profits arising from the exclusive control of the dictating machine for ten years. Beyond this can also be offered the assistance of a trained salesman in making first sales, training other salesmen and establishing a service and repair department. Certainly the maker can afford to write direct to business enterprises in Buenos Aires selected because of their known capacity or prestige. Likewise, he can capitalize his domestic experience in newspaper, magazine and outdoor publicity and in booklets, bulletins and circulars directed at users, including testimonials to add to the agent's claim that the dictating machine has been tested and approved in actual use.

To an honest product, an honest policy and a desire for export

trade the manufacturer can add endeavor and intelligence, and bring to his agent the assistance of the spoken word (the salesman), the written word (letters to possible buyers) and the printed word, as typified by our advertising plans. The manufacturer has value to offer and has a right to expect value in return.

Value of Specific Offers.—Besides this bare outline of the basic plan, the American maker must place in his salesman's hands the means of securing decisive action. Too often a campaign entirely sound in plan is expressed in generalities. Where specific pledges are expected from an agent, the proposition on which his action is to be based must give a certainty in return—that is only logic.

ESTIMATING THE SELLING COST

It may serve a useful purpose to show rough estimates of the cost of launching a specialty in such a market as that of the Argentine. If it is assumed that the possibility exists of selling 20,000 \$150 machines in ten years—a \$3,000,000 market—domestic experience prompts on a \$150,000 sales quota for the first five years, to appropriate \$15,000 for promotion expenses the first year. This could be divided:

Six months' salary to salesman.....	\$ 2,500
Six months' expenses at \$15 a day.....	2,700
Correspondence with consumers.....	1,500
Advertising, including literature.....	5,000
Costs of demonstration, entertainment, sample machines, etc.....	3,300
	<hr/>
	\$15,000

Substantial Reduction in Second Year Budget.—This first year's schedule is by no means the yearly guide. The second year's balance sheet, for example, will show for Argentine expenses:

Six weeks' share of salesman's South American trip..	\$ 600
Expenses, forty-two days, at \$20 a day.....	840
Correspondence with consumers.....	3,000
Advertising.....	3,000
	<hr/>
	\$7,440

This is a falling off of over 50 per cent. It will be noted that the sales attack has shifted so that direct correspondence has doubled, while advertising bills have been cut two-fifths. The expense of demonstrations and entertainment have been diverted to the agent, while the salesman spends only one-fourth of the first year's time, mainly in "closing" difficult prospects and coaching the agents' sales force.

A third year's outlay would be similar, except for the reduction of correspondence to about \$1,000, as the agent's salesman cut the mailing list by eliminating the firms not worth continued effort. The \$3,000 advertising item would be as high as it would ever become, unless sales ran unexpectedly low, requiring extra publicity.

SUMMARIZING THE MAKER'S OFFER

The offer to the prospective agent would be:

1. Exclusive rights for ten years
2. Six months' service of one salesman the first year
3. \$5,000 in varied forms of publicity the first year
4. The backing of correspondence department in writing 10,000 prospects
5. Ten demonstrating outfits free, entertainment of twenty largest users of typewriters, and the expense of hiring temporary quarters for tests to prove to these the economy and other advantages of the device.

There should be outlined exactly what the maker would do for his agent in each of the ten years of the arrangement.

Obligations of Agent.—From the agent he would expect in return:

1. Orders totalling \$10,000 in the first year, \$20,000 in the second year and \$25,000 in the third year, and from third to tenth years an annual increase of 10 per cent over the preceding year.
2. The assumption of demonstrating expenses and entertainment after the first year.
3. The placing of advertising based on 5 per cent of sales, plus the agent's own appropriation after the third year.

There would be many other clauses in the agreement covering prices, terms, cancellation and non-acceptance of competing agencies, but the most important clause is the guaranteed yearly purchases in return for guaranteed territory and assistance.

Advertising Helps.—A complete advance layout of the advertising campaign would fill a one-hundred-page loose-leaf book. Therefore, only the selling arguments which can be most effect-

ively presented by the printed word will be described, in the realization that the criticism of the agent, local advertising agencies and the salesman will furnish material and suggestions for improvement. Often in one market the most productive appeal may be one that is negligible elsewhere. Above all, the maker must base his arguments on his competition or lack of it. If he is first to enter the market he must first sell the idea behind his machines. Where competition exists, it may be wise to emphasize the exclusive features which are lacking in a rival—though it is poor business to advertise the rival by over-comparison.

Making Correspondence Count.—Correspondence with users is an important feature of promotion work in coöperation with the agent. He can pay visit after visit by mail, fanning the faint spark of interest created by the agent and his force into the flame of desire. He can use letters under first-class postage, circular matter, booklets, private mailing cards and bulletins in this mail attack: Hence he has ample scope for ingenuity in presenting his arguments without wearying his prospects.

CHARTING SALES ARGUMENTS

Such an analysis of selling points might run, roughly, as follows:

1. Economy—Stenographers' time devoted solely to transcription
2. Economy—Typist at lower salary than shorthand operator
3. Economy—Dictator need not repeat, as typist can repeat record
4. Economy—Machines' speed exceeds human capacity
5. Economy—Even division of dictation; any record can be transcribed by any typist
6. Convenience—Dictation possible before and after typist's hours
7. Convenience—Dictation possible while typist is transcribing rush matter
8. Convenience—Home dictation possible by extra recording set
9. Convenience—Absence of the waiting pencil while dictating complicated documents
10. Safety—Illness or accident to any operator leaves matter understandable to any typist
11. Progressiveness—In line with other advances in business machinery.

Many of these arguments can be developed indefinitely: All can be illustrated by photographs or drawings, visualizing the argument to be driven home. In publicity the maker can appeal both to the stenographer on the score of increasing her productivity and to the office manager by showing savings made possible by reduction of stenographic force and greater elasticity.

Stimulation of Agents' Organization.—No small part of the manufacturer's correspondence must be devoted to the agent and his force. It is imperative to sell and re-sell the product and his very argument to them. When interest lags, they must be urged on, not only with prices and contests but also with constructive letters showing the manner in which different prospects have been sold elsewhere and reciting actual arguments which have convinced hesitating firms. It must be remembered that an agent is worthy of regard, that his opinions deserve respect and that his suggestions deserve consideration. Even while a manufacturer may not agree with some of the agent's ideas, it is well to accept his promotion plans whenever possible without undue risk. If they fail, he will be careful in future cases; if they succeed, he will be more of a co-partner than before. The average manufacturer is too prone to feel (often quite unconsciously) that he has discovered all the selling ideas for his product, and often offends agents and dealers by giving their suggestions scant consideration. To merely state that anything "is against our policy" is a tactless reply to a suggestion. If the policy can not be explained, it needs overhauling.

CHAPTER XXVIII

THE EXCLUSIVE EXPORT AGENT

"Is your agent—the one who represents your company abroad—a mirrored reflection of all your virtues? If not, why is he your agent?"—James B. Donovan.

Export Agents Classified. Types of Export Agents Resident in the United States. Types of Agents Resident Abroad. Major Divisions of Both Analyzed and Defined. Illustrations of the Nature of the Relation Between American Manufacturers and the Several Classes of Agents. Advantages and Disadvantages of Agents Who Purchase for Re-sale. The American Selling Agency. The Export Company as an Agent. Classification of Agents Resident Abroad. The Basis of Exclusive Representation. Hybrid Agencies and Their Advantages.

A simple definition of the export agent is, "one who acts in any selling capacity for the exporter." This definition has the virtue of emphasizing the *selling* function of the agent and is a broad enough definition to include almost all the many types of agents whose variety perplexes both the novice and veteran in exporting.

MAJOR DIVISIONS

The first major division of types is based on the location of the agent. For the export agent may, and often does, have his headquarters, if not his sole residence, in the country of the exporter. Agents of this type include:

1. The American selling agency
2. The export company
3. The export house.

The agent abroad can be similarly classified:

1. The resident combination salesman
2. The manufacturers' representative
3. The general importer
4. The wholesaler
5. The wholesaler and retailer
6. The retailer
7. The consumer.

The second major division is based on the relation of the agent to the exporter. This division is one which contains but three classes:

1. Those who sell for the account of the exporter
2. Those who buy from the exporter and re-sell
3. Those who buy but do not re-sell.

It is obvious that each agent must be included in both of these major divisions. The export house in the United States supplies the most common example; for its residence is in the country of the seller and it buys from the exporter for purposes of re-sale outside the United States. It must be remembered that the relation is not an agency relation, however, unless there are exclusive territorial rights involved. Otherwise, the relation is a pure buyer and seller relation.

Why Exporters Are Puzzled.—It is undeniable that there is great confusion in export circles in regard to the desirability or non-desirability of the use of agents. The greater part of this confusion is due to the failure of many to recognize the existence of the second major division. It is well to repeat this second major division to emphasize its existence:

1. Those who sell for the account of the exporter
2. Those who buy from the exporter and re-sell
3. Those who buy but do not re-sell.

To make the distinction entirely clear, it is fair to consider the first group as an extension of *the selling force* of the exporter and to consider the second group as an extension of the *customers* of the exporter.

AGENCY TYPES DIFFERENTIATED

To illustrate: It can be assumed that in Lima, Peru, there is an individual named John Jones. He makes his living by selling American-made goods to the merchants of Lima. He does not carry stocks of merchandise, but merely solicits orders for direct shipment from the manufacturer to individual merchants. These merchants are billed direct by the manufacturers. John Jones limits his activities to the sale of the products of six American manufacturers. These six American manufacturers recognize him by commissions on the sales which he makes and also on any other shipments which they make to Lima.

The Resident Combination Salesman.—John Jones is clearly the agent of these six American manufacturers. He is “one who acts in a selling capacity for the exporter.” If his relation to the exporter is analyzed it will be seen that in reality he is a resident combination salesman. He is an individual selling agency resident in the country of his customers.

To illustrate further: Henry Smith has an office on Broadway, New York City. He specializes on sales in China. He represents a dozen American manufacturers and has established in China several scores of customers who usually accept his advice in connection with their purchases of American goods. He has a carefully built up mailing list containing the names of hundreds of native and European firms in China. He advertises in China the products of the American manufacturers whom he represents. He solicits orders for his principals. He carries no stocks and merely refers the orders he receives to the manufacturers. On analysis, it will be seen that Henry Smith is a combination export sales manager resident in the country of the manufacturer. He is an export agent, but purely an export selling agent.

Wholesalers as Representatives.—A single example will differentiate these two types of agent—the combination export salesman resident abroad and the combination export sales manager resident in the United States—from the agent of the older type. Enrique Gonzales y Cia, of Valparaiso, Chile, are wholesalers. They specialize in the handling of branded merchandise. They do not confine their importations to products of any one country, but they do confine their importations to one maker in each product in exchange for the exclusive sales rights in Chile for each product which they handle. It can be assumed that they are agents for Fownes' gloves, Pinaud's toilet preparations, an Italian olive oil, Gillette safety razors and Regal shoes. They do not handle competitive lines. They offer, in return for exclusive rights for the products which they handle, guaranteed purchases each year. They buy for their own account, and re-sell not only to retailers but also, in some cases, sell to other wholesalers at a nominal profit. The manufacturers they represent have only one account in Chile—the agents themselves—and all goods are shipped and billed direct to the agents.

This example clearly differentiates the agent who buys for his own account from the agent whose function is solely that of selling. For purpose of differentiation, it would be well for all

interested in exporting to term one the "customer agent" and the other the "selling agent."

The Function of the Export House.—It is well to analyze for a moment the status of the export house in the United States in the agency field. In theory, and often in practice, the export house is the exact reverse of the export combination salesman resident abroad. For the function of the export house in many cases is that of a *buyer* resident in the United States in the interest of the foreign merchant. This is clearly proved by the fact that the export house charges its merchant customers for its services as a buyer, this charge being quite frequently $2\frac{1}{2}$ per cent of the invoice price.

Export houses usually specialize either on certain products or on certain territories, or on certain products in certain territories. From their very different knowledge of the needs and wants, tastes and whims of the markets they serve, they are often in a position which makes them desirous to control some manufacturer's product in certain territories. They offer in exchange for an exclusive arrangement, guaranteed sales and the certainty of immediate distribution. But it is only fair to note that there is a confusion of relations brought into being by their acceptance of an agency. With some few non-competitive products—products which are alone in their uniqueness—the export house can retain its position as buying representative for foreign merchants. But with the majority of products, the acceptance of an agency to the export house bars its own clients from a free and full choice of competitive articles.

With the entering into exclusive arrangements with the American manufacturer, the obligations of the export house become divided between maker and merchant. It is not to be gainsaid that, even in the face of the manifest ambiguity of such dual relations, there are many instances which prove that both parties have been well served.

Another Type of "Customer Agent."—A more common case of the "customer agent" than that of the Enríque Gonzales y Cia example is the agent who purchases for his own account for resale, but who also permits direct sales by the American manufacturer in his territory, and who receives both price protection and a commission on such direct sales. Such a plan promises mutual advantages. From the manufacturer's standpoint it divides the credit risk by multiplying the number of his customers

in Chile, for example. It permits the manufacturer to have direct relations with firms of such importance that they might refuse to consider purchasing through an intermediary. It makes possible sales to those who from prejudice would decline to buy from the "customer agent."

Direct Sales an Advantage to Agent.—The "customer agent" appreciates the advantages to him of the sales, direct from the manufacturer, to these three groups. First of all, it enables him to receive commissions without the investment of his capital in unusually large stocks. Then it brings in commissions from sales to importers who are equal in size and importance and with whom on other lines he may be in direct competition. Finally, it makes possible commissions on sales which come from firms with whom he is not on friendly terms. Above all, from the agent's standpoint, it forces the manufacturer to greater sales effort in order to secure and develop these direct accounts and thus gives the agent profits he could neither afford to seek nor expect success in seeking. Further than this, the alert agent realized in many lines that the greater the direct distribution, the greater the consumer demand and the lower the sales expense on his own sales to his own customers.

In dividing into the two major divisions all agency types, it was pointed out that there were three subdivisions resident in the United States:

1. The American selling agency
2. The export company
3. The export house.

THE FUNCTION AND SERVICE OF THE EXPORT COMPANY

Of these, there has been examined only the export house and rather roughly outlined the selling agency of the type we termed the "combination export sales manager resident in the United States." There remains the export company which buys for its own account. The export company is thus clearly differentiated from the American selling agency which performs only the selling function, and from the export house which does not buy for its own account but which is the buyer for the foreign merchant and merely carries out his wishes and finances the transaction.

The export company is in reality an exporter who does not manufacture the goods it sells, but which assumes all other func-

tions of the manufacturing exporter. It carries stocks both at home and abroad for its own account. It develops its own customers and appoints its own agents, and often has its own export travelers. It is usual for the export company to specialize either on certain territories or certain products, and to seek from manufacturers exclusive agency connections. Not infrequently, an export company will market the entire production of a mill or factory or contract for the surplus of a mill or factory over its domestic requirements. When it actually owns mills and factories outright, or interests in mills or factories, it becomes to that extent and for such product or products a manufacturing exporter. It may thus be in part a manufacturing exporter while simultaneously it exercises the function of an export company for other products.

THE AGENT RESIDENT ABROAD

The classification of the agent resident abroad includes:

1. The resident combination salesman
2. The manufacturers' representative
3. The general importer
4. The wholesaler
5. The wholesaler and retailer
6. The retailer
7. The consumer.

Of these seven classifications, there have been used for illustration the first and fourth—the resident combination salesman and the wholesaler. It is wise to ignore the export company resident abroad; for the functions of such a company are practically identical with those of the export selling company resident in the United States.

The Manufacturer's Representative.—The manufacturers' representative is in many cases identical with the resident combination salesman. But in a growing number of cases the manufacturers' representative is less of a traveler and more of an employer of travelers. He is more and more opening sales and display rooms and more and more is carrying stocks, limited, perhaps, in variety and containing only articles in greatest demand, but purchased outright and carried more for accommodation and rapid development of sales than for profit.

The Overseas General Importer.—The general importer as an agent is one of the oldest types and one which is declining rather

than advancing in favor. Three or four decades ago it was not uncommon for a single general importer to be the agent for agricultural machinery, for perfumery and for bulk food products. No line was too large and none too small for him to handle as agent. His strength was in his reputation in and knowledge of the market which he served. He was, in many markets, as much a representative of the United States or of England as the consular representatives. The merchants regarded these general importers as the commercial embassies. But with the increased activities of the export houses and of the direct representatives of manufacturing exporters, that era passed. Today, the number of American and English general importers may be fully as great as at any time in history, but the proportion of their imports to the total imports is small on lines *which they represent as exclusive agents*.

“W and R” Agencies.—The wholesaler and retailer type of agent was in great vogue a decade or two ago. The newly fledged manufacturing exporter saw in this type of agent an ideal worth cultivating. The wholesaler and retailer bought outright, gave at once distribution (in his home city) to the consumer, and through his wholesale activities gave further distribution to outlying districts. Almost invariably such agents were strong financially, enjoyed a deserved good reputation and brought the products they favored into quick, if limited, demand. In some markets these wholesale and retail agent outlets actually sold other wholesalers who were willing to concede a small profit to the agent in return for the convenience of the stock which the agent carried.

The great drawback to the wholesale and retail agent came in territories where the agent, while active and able, was not as widely or as well liked by retailers as the out-and-out wholesaler who was in no part a competitor. Agencies granted the combined wholesaler and retailer in such circumstances very definitely limited distribution and made it quite possible for a later comer in the field to ignore all agency plans, sell all good wholesale outlets, and easily secure a distribution, well balanced and widespread, impossible to the product tied to a limited outlet. While these direct non-agency efforts were high in first cost, they very generally proved profitable over a long term of years. Because of the greater number of retail outlets obtained through sales through all wholesalers (except the competitive agent) general

advertising to consumers was not wasteful and could be effectively used.

Retailers as Agents.—In the lesser markets of the world it is often found that the exclusive representation of the leading retailer is more profitable than all possible sales which would exclude the leading retailers. So that the leading retailer would have a definite incentive to handle a manufacturer's product to the exclusion of all others, some far-sighted manufacturing exporters made a practice of sacrificing the sales possibilities of the lesser outlets and granting the exclusive selling rights to their selected retailer, and made no other efforts, direct or through their agent, to secure sales through other retailers. With certain products and in certain lesser markets this practice has been found to be productive of excellent results.

Consumer Exclusives.—On the surface, it is absurd to consider a consumer as an exclusive agent. The title "agent" is, indeed, a misnomer in connection with consumer, unless the "consumer" sell other consumers—in which case he becomes in reality a retailer. But the maker of sugar mill machinery might well be content with the entire equipment of the larger of two sugar centrals and grant the exclusive rights of *use* to such an "agent." This is by no means an unknown arrangement. When it is based on careful study of conditions and the agreement covers a long period of years, it is usually found to have mutual advantages in exchanging the greater purchasing power of the "agent" for the exclusive features of the products of the manufacturer. Dairy machinery has been marketed in many parts of the world on the equivalent of a "consumer agency" basis.

It is well to study the fundamental differences between the various forms of resident and non-resident agents, because only through this study is it possible to weigh the relative desirability of any one class to the possible other classes. Further, it is imperative that the fundamentals should be clearly seen before the combination of several classes in one agent can be understood. The lines of demarcation between a resident combination salesman and a manufacturers' representative have been described, as well as the ease with which one could become the other. The export house has been portrayed, both as a resident buyer in the United States for foreign merchants and as an agent for American manufacturers.

Mixed Types.—There are dozens of possible variations. A

FIG. 22.—Tons of Gillettes for Russia. One hundred and sixty-four cases of Gillette razors and blades on a rush order from Boston to Petrograd.

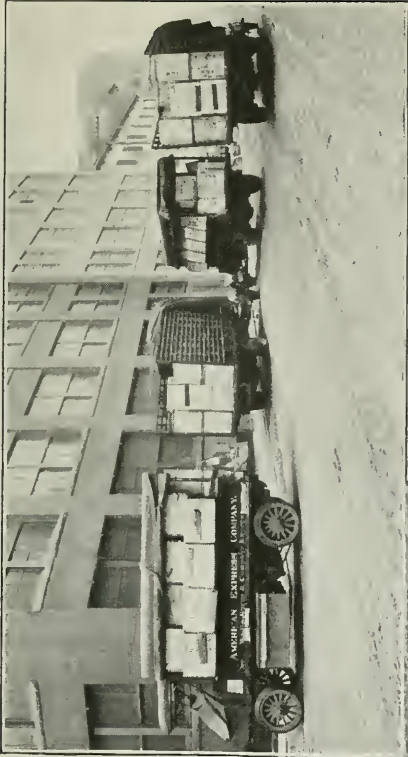
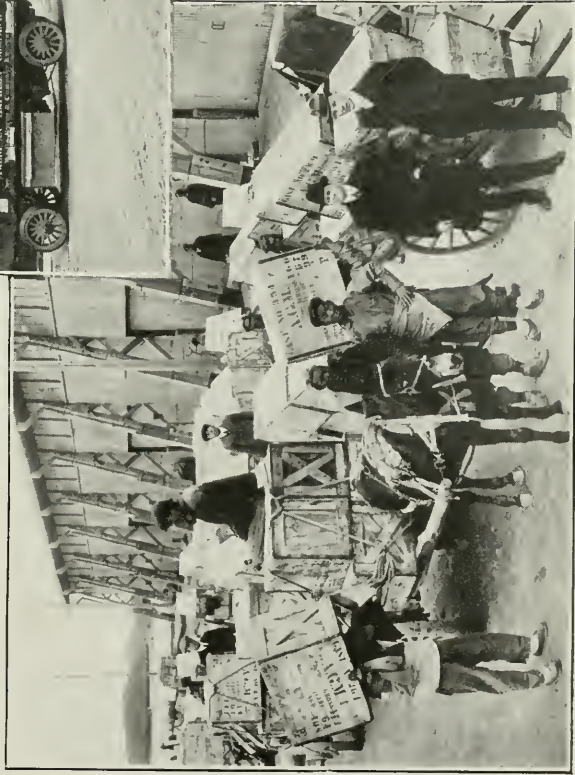


FIG. 23.—Thomas W. Pelham directed and accompanied this shipment, which started by express and finally reached its destination by Parcel Post. The cases of razors and blades are shown as they left Boston by express and being transferred at Darien. Mr. Pelham is second from right in foreground of Darien photograph.

wholesaler who buys for his own account may be merely a combination export salesman in connection with sales to his own government. In such cases the agent merely submits samples and quotations, and orders are placed direct with the exporting manufacturer, who ships and bills direct to some government department. An "export house" may be in truth an export merchant with chains of stores in the leading cities of his home country, and his New York offices are merely buying offices. In such a case it is entirely conceivable that in granting an agency it would be parallel to granting an exclusive selling right to any one of the "chain stores" in the United States, and have exactly similar advantages and disadvantages.

It is not at all unusual for a combination export salesman resident abroad to assume only for certain lines several other functions. He may employ a skilled assistant in order to introduce a technical line, and carry a stock of parts and do repairs. He may also see opportunity for profit beyond mere commissions and buy outright, turning over his complete purchase on arrival, and re-billing to his customers. Similarly, an export selling company resident in the United States may not hesitate to depart from its general policy and be no more nor less than a salesman, buying no goods and acting merely in the capacity of professional introducer of maker to merchant. This is true in markets in which the selling company has no direct connections and in which markets it does not desire to act in its broadest function.

Exporter Must Study Agent's Methods.—Because of these variants from the regular channels of operation of the several types, it is incumbent on the exporter to be certain not only that he is cognizant of the usual method employed by the type of agent which he is considering, but also that he knows precisely the form of activity which the prospective agent will use if entrusted with the agency for the manufacturer's product. Hardly any two American selling agencies operate along the same lines. It is safe to say that no two export companies employ exactly the same general tactics; while among the export houses which depart from the role of buyers for foreign merchants there is absolutely no uniformity of practice.

Even within any one agent's own policy there will be found myriads of sub-policies. This is particularly true in connection with agencies which are expanding their scope of action. An

export company may well have branch houses in Buenos, London and Paris and yet be active only by correspondence in Rio, Belfast and Bordeaux. It may send its own trained travelers to Cuba and Mexico and yet have second-rate sub-agents (and these only retailers) in Costa Rica and Panama. It may advertise extensively in Colombia and not at all in Venezuela. It may be ideal for an agency connection for the maker of shoes, and valueness to the maker of hoisery or garters.

Importance of Knowledge of Agent's Policies.—There is hopeless chaos in nomenclature. Today, enterprises which were proud a decade ago of the title "Commission House" have been humiliated by the war-time influx of the unworthy who used the title. It is not safe for the exporter to feel today that "Export Commission House," "Resident Foreign Agent," "American Export Agent," "Export Merchant," "Exporter and Importer" or "Indentor" fully describes any organization. Rather must the exact policies of each export enterprise be sought out, their methods of operation ascertained and their exact functions made known. With this data each exporter can classify for himself, certain that any general term will conceal rather than reveal the exact nature of those who might become his agents.

CHAPTER XXIX

HOW, WHEN AND WHERE TO SELECT AND COÖPERATE WITH AN EXCLUSIVE EXPORT AGENT RESIDENT ABROAD

"The problem of the American people . . . is of deciding upon the overseas markets which we wish to cultivate. . . ."

—Edward N. Hurley.

Unsound Basis for Agency Selection. Common-sense Methods of Selection. Essential Qualifications of Exclusive Export Agent. Importance of Credit Man in Agency Granting. O. T. Erickson's Explanation of Credit Man's Function in Agency Selection. Modern Tendencies in Types Approved. Advantages of Manufacturers' Representative Resident Abroad. Selling Companies as Agents. Examples of Methods Used by Leading Exporting Manufacturers in Securing Agents. Value of Supplementary Evidence. Agents' Commissions Reduce Profits. Costliness of Establishing Unsatisfactory Agencies. Fundamentals of Agency Granting. Coöperation with the Exclusive Export Agent. Far Eastern Agent's Examples of Good and Poor Coördination of Effort. How to Increase Sales through Agents.

The shortest cut to quick profits from exporting, and often the greatest obstacle to the greatest export profits, is the exclusive export agent. Wisely selected, with an eye to a future decades hence and in circumstances which dictate the appointment, the day-in and day-out presence in a market of a personal representative needs no defender. Selected in haste, without thorough consideration of the representative, the product and the market, the exclusive export agency is the most decided sales depressant.

Criticism of Haphazard Methods.—The average export agency is granted as the result of a combination of laziness and ignorance. Laziness, because it is a hard, painstaking and studied task to reach a decision the correctness of which can be proved. Ignorance, because only a very few export executives realize that the selection of an agent or even the decision in favor or against the idea of an agency in a given territory, should be determined scientifically.

The lazy export executive does not bother to differentiate between the agent who is a manufacturers' representative—in other words, a resident salesman—and the merchant who is not.

The ignorant export executive is entirely unaware that there is any difference. Obviously there is a world of distinction.

The appointment of a manufacturers' representative as an agent does not necessarily limit the number of possible trade outlets for a product. The appointment of even the largest wholesaler may well bar a manufacturer from any sales to other wholesalers, and through this disbarment eliminate his products from scores of retail outlets.

The Agency Group.—Manufactured products which require technical skill in selling; which require the establishment of service depots; which require unusual investment by the foreign merchant; which are sold to political bodies, quite naturally fall into the agency group. Markets which are of limited buying power; which are distant from profitable routes for direct salesmen; which are dominated by some large wholesaler, are logically selected for agency treatment.

Open Market Products.—Conversely, products which are commonly carried by all representative wholesalers and retailers in their lines of trade; which depend upon small sales per outlet; which require only small investment to secure representative stocks, are, at least, on the border-line, and no agency should be granted unless common sense evidence proves the need.

QUALIFICATIONS OF THE EXCLUSIVE AGENT

The good agent combines the three C's of credit—Character, Capability and Capital—with a thorough knowledge of products, policies and prices, an established clientele and a wide and intimate acquaintance with ways to bring maximum returns from the territory with which he is entrusted. The poor agent may be a crook who uses his contract to stifle sales. He may be incompetent. He may—and often is—one looking for easily made profits.

There is one qualification that the exclusive export agent must have. That is, the ability to sell goods and sell them in a way that insures the manufacturer's future in his territory. If he is not himself a salesman, then he must be a capable manager of his own salesmen. The agent must have ability to market the maker's product in his territory. Without this ability, all his accomplishments can be no more than a beautiful frame without a picture. If an agent is the type that merely

supplies demand and never creates demand, he is of no greater value than a well-placed vending machine.

When Decision Should Be Deferred.—Usually either the nature of the product or the nature of the market indicates clearly the wisdom of some form of agency relation. Then the obvious step is to select not only the right type of exclusive representation, but also the best one of the type. If a salesman is to visit such a market, any decision should be reserved until he has added to the exporter's acquired knowledge his first-hand impressions and facts. He may, in person, be able to make a connection impossible, even to the most skilfully written letters.

But before his visit should come investigation. In these days, for a pittance it is possible to survey the field and weigh the possible candidates in an accurate scale. From several able sources—notably The National Association of Manufacturers and The Philadelphia Commercial Museum—preferably from both—can be secured lists of merchants as well as lists of manufacturers' representatives. These lists, with accompanying credit reports and further credit reports from Dun and Bradstreet, and from the files of the export journals published in this country and from your bankers, are but a start.

The experience of brother exporters should be sought, not only for their ledger experience but also for their agency experience—two entirely different matters, in many cases.

THE CREDIT MAN'S PART IN SELECTING EXPORT EXCLUSIVE AGENTS

With this mass of data properly collected, the coöperation of the foreign credit man should be secured. Too great emphasis on this point is impossible. *It should be a rule that no export agency should be arranged before the utmost assistance of the credit man has been given.* It is not a mere matter of payments that is involved. It is squarely a matter of narrowing down the field so as to facilitate the proper choice of agency possibilities in the given market, all of whom may be assumed to be good credit risks.

Looking into the Future.—The business future of the agent for the term of his contract, and far beyond, is too important a factor to be passed over lightly. The agent should be one who

will grow and not diminish in importance in his market. His growth is an important factor in the exporter's own reputation—in his profits—in his future. The able credit man is the best prophet. He knows the language of the financial statement; he earns his living by his ability to use recorded information on enterprises and individuals so as to gauge their business ability as well as their honesty and financial resources. When he grants credit, at home or abroad, he bases his decision on their ability to pay when the debt matures, not on their ability to pay on the day on which he grants credit.

The Credit Man as a Prophet.—From the past and present he deduces the future. From the relation of stock on hand to accounts outstanding, he reads the strength or weakness of the enterprise in conducting its own business. From the relation of investment to sales, he gauges the saneness of financing. From a comparison of one prospective agent with the others he can predict accurately, in the great majority of cases, desirability five or ten years later.

O. T. Erickson, credit manager and manager of foreign finance of The Carter's Ink Co., has exercised this function in so many cases that his experience entitles his statement to great weight. He says, "All good credit men who are familiar with export selling appreciate the fact that their duties extend beyond the mere passing for credit of orders from foreign merchants. This is particularly true when agencies are involved. The credit man should welcome the opportunity to aid in the selection of the agent who will maintain or increase his own importance in the territory under contract. The credit man should be willing to assume joint responsibility in the selection of an agent who will sell the most goods years hence as well as in the present. The credit man should gladly analyze, if necessary, each agency possibility, tabulate the virtues and faults of each; not from the angle of the watch-dog of the treasury, but as counsellor to the export department which is seeking the right channels to increase sales."

Modern Trends in Agency Types.—Entirely apart from the safe bromides, the fact remains that in the past half-decade there has been a decided change in the nature of the most desired type of export agents. It seems only yesterday that the expert in exporting looked askance at the idea of granting an "exclusive" without a large stock order as its justification. It

seems only yesterday that, a *wholesaler* had to hold a virtual monopoly of his field in order to merit the slightest consideration as a potential agent. Then, the manufacturers' agent abroad was in many markets a novelty, and, generally, little of his present worth was appreciated. These comments apply to products which do not demand an agency, for, of course, the very nature of automobiles, pianos, typewriters and talking machines has always indicated or demanded agency treatment.

Nor should it be assumed that the rise of the manufacturers' agent abroad has been the fall of the stock-carrying dealer agent. Today, in almost countless lines, the dealer agent, because of his position in the market, because of his relations with other wholesalers, retailers or consumers (as the line may demand), is a selling force far superior to any manufacturers' agent—so strong a force in many markets as to bar the entrance of the other and newer type. But the contrast between 1913 and the present is, indeed, remarkable. The tendency towards an increased use of the manufacturers' agent abroad is daily seen to be growing stronger and stronger at every conference of the elite of the export selling world.

METHODS USED IN SECURING AGENTS

What is the best way to secure good agents? Methods differ. Ask one veteran who makes his own. He catches them while in the United States, steeps them in paints and varnishes, and enthruses them with his products and their profit-making possibilities so that they continue to live paints and varnishes long after their return to their native heaths.

Another authority makes a practice of starting a separate selling company in each large city. Still a third leading light in export circles will tell you to use infinite care, get suggestions from everyone and then pick someone no one else would think of twice, coach him, aid him to the nth degree in coöperative demand-creating, and then give service, and more service.

And so on down the line. Just as a decade or more ago the export world had to doff our export hats to a novice from Syracuse for his simple directness in starting in exporting and bringing to exporting many good things it had previously overlooked, it again can doff its hat to another newcomer when it comes to the selection of the "how to get good agents" problem. To a new-

comer in exporting, from Holyoke, Massachusetts—a man when landed twenty prize agencies ranging in type from retailer to manufacturers' agent abroad in three short months—we must all pay our humble respects.

The "Holyoke Method."—All usual methods, however sound, require time and patience, investigation and careful checking. But the Holyoke method is equally sound. This is to seek out a long-established, closely allied but non-competitive line—one that has been in exporting long enough to have made its agency mistakes and to have rectified them—and to "adopt" their entire agency group from Iceland to Ceylon. The two merits of this system are its simplicity and its safeness. Many export managers had the germ of the idea before, but it took a novice to apply modern "mass production" and "mass selling" principles to agency granting.

The best way to secure good agents abroad is through brother exporters who have summered and wintered, coached and been coached by agents who have withstood every test. This is particularly true in the case of manufacturers' agents abroad. For the one absolute essential in such an agent is his selling ability. The best advance test of selling ability that can be asked, is a five- or ten-year record of successful selling of an allied product which in prices compares with its competitors, much as one's own product compares with its competitors.

While it would be absurd to accept haphazard recommendations, or to assume that even in allied lines no precautions should be taken in the cases of agents successful with other lines, there is an element of certainty in approaching the proved success that even the most complete printed report inevitably lacks. But recommendations should be a start rather than an ending. The wise exporter and the wise foreign credit man, while accepting the experience of the other man as valuable evidence, will not accept it as complete evidence. Through questionings and credit reports they both seek the conclusive proof of desirability which comes only from the data secured from every available source of information.

Supplementary Evidence.—The need of this supplementary evidence is easily proved by the experience of an exporter who deemed it unnecessary. This exporter, deserved his fate, for he obtained the name of the agent in a Latin-American city by stealth. Because he knew of the thousands of dollars which his

rival sold the agent on ninety-day S/ D attached B/L terms, he was covetous. He was also secure, he felt, because he knew drafts were met promptly and invariably at maturity. So the New Yorker offered his agency for his several non-competitive lines, secured an initial order for several thousand dollars, shipped it. He is still waiting for payment.

What the New Yorker did not know, and will not know unless he reads these two paragraphs, are the peculiar conditions which envelop the agent's relations with the other American exporting manufacturer. Years ago, when the New York corporation was in its export infancy, the other maker literally saved their present agent—then only a struggling merchant—from starvation he not only extended drafts, but actually cabled money to his family during his illness. He never forgot the kindness of men he had never seen. He worked for them without commission until they detected his part in a big order and literally forced him to accept compensation. He has always paid promptly every charge they have made him. But—such is human nature—since his illness history fails to record a payment he has made anyone else.

Losses from Unwise Agency Decisions.—There are far too many exclusive agency arrangements made in lines and in markets which do not justify agency treatment. This is why it was safe to state in the opening sentence that the exclusive export agent is often the greatest obstacle to the greatest export profits. One of the fundamentals which should always be borne well in mind is, that a 10 per cent commission to agents is not merely a 10 per cent reduction in sales—it is a far greater reduction in profits. There is a world of difference, as a single illustration will prove. John Jones exports a machine that costs him \$80 f.o.b. export steamer, New York, at a selling price of \$100. His profit is \$20—20 per cent profit. But the moment he passes a 10 *per cent* commission to any agent, he cuts his profit down 50 *per cent*. The agent's 10 per cent is on the \$100 selling price and is, of course, \$10—exactly half of the maker's entire profit.

In line after line, in market after market, will be found losses of legitimate profits because unwise, lightly considered agencies have been granted. One illustration came to light a few years ago in examining the sales history records for Brazil of a long-established exporter. The agent in Rio actually did have a force of salesmen who went as far north as Para and as far south

as Pelotas, Porto Alegre and Rio Gran du Sul. But the line was one which should have been marketed through every reliable trade outlet, and the agent's salesmen visited only the sub-agents of the agent—often dealers without interest in this particular American product.

Direct Sales as an Asset.—Fortunately, the American manufacturer's contract permitted direct sales to others than the agent. But these sales could be made only at prices 10 per cent higher than the agent's prices, and all such direct sales were subject to a 10 per cent commission to the agent. Even in the face of this price difference, the American manufacturer's export advertising had built up a steadily increasing direct business, which in 1916 was of such size that (including Manaos and other interior cities not even approached by the agent) it amounted to such a sum that the agent's 10 per cent commission on this direct business was actually greater than the total of his own stock purchases. In other words, the manufacturer actually gave his agent, without charge, all the goods he ordered, and then paid him for taking them.

Analysis of Results.—What had the American manufacturer gained from this agency in the nine years it had then been in force? First of all, he had received a most pleasing initial order at a time when his sales in Brazil were negligible. Then he had secured quick distribution through the sub-agents of the agent. Again, he had the opportunity through this distribution to test the relative sales value in Brazil of his several lines. Against these early profits must be charged a faulty system of distribution—one which, for example, cost him the chance to grow up with San Paulo—a wonderful market. Then, too, must be charged against the early profits other, if smaller, profits which would have come from a direct and country-wide "all-by-mail" sales campaign.

But against these credit entries there must be placed debit entries. After the first three years the sales of the Brazilian agent and his sub-agents remained stationary. But the direct sales increased, and on each sale the American exporter paid a commission that was 40 per cent of his profit. In city after city where the sub-agents had half-heartedly offered his products, the American maker had the difficult task of creating new interest—which increased his sales expense and slowed up his sales development. Further than this, he was not free to

appoint good local agents in territory where agency treatment would have been thoroughly desirable. Undoubtedly the initial advantages of the agency have cost over \$150,000 in profits in the past six years alone.

The Law of Compensation in Concessions.—One of the fundamentals of agency granting comes with the recognition of the business axiom that a concession granted should be balanced by a concession received. Each exporter, before in any way tying his own hands by an agency arrangement and before dividing on a liberal scale his future profits on direct sales in the agent's assigned territory, should examine carefully into the concessions which he is to receive. In many cases the worth of the representation is ample repayment. In many others the guaranteed purchases or sales covered by the contract is ample repayment. In still other cases the broad ground-work; the background for intensive sales campaigns; the introductions through the agent to good trade outlets, are well worth all concessions granted. But these factors must not be assumed to be in existence. Their presence should be a matter of advance proof and not of mere surmise.

It is not at all fair to consider any words in this discussion of agencies to be adverse criticism of the exclusive export agent himself. History shows us too many examples wherein the agent has proved himself the better business man. If the merchant in Bahia dreams of capability to handle a maker's products in all Brazil, and the exporting manufacturer accepts, without investigating this dream as a fact, surely the blame is not to be placed on the Bahia agent. The fact is, that the average American enterprise is hard-headed at home and over liberal in foreign fields. Corporations that would resent a domestic salesman's suggestion of a slightly larger territory than his usual cities and towns, will grant a wholesaler in Lima the agency for all Peru, when a single question would show him incapable of securing distribution beyond Lima and Callao.

COÖPERATION WITH THE EXPORT AGENT

But if the average exporter is over-generous in granting agencies, he is certainly parsimonious in his coöperation with his agents. This does not refer alone to money matters. For the average exporter is far more stingy with his brains than

with his pocket book. After all, no matter what the type of agent may be, he is a salesman of the manufacturer's products and entitled to exactly the same type of coöperation. It may be that there is truth behind the theory that insists that the right way to teach a boy to swim is by throwing him into deep water. Based on observation of agencies who were taught in this manner to sell American goods, there is certainly an abnormal per cent of failures.

The Co-partnership Ideal.—One of the fundamentals of agency coöperation—that of thoroughly acquainting the agent with every product of the manufacturer—is easy to forget. Not only must the agent know the whys and wherefores of each article, but also, he must know the entire set of dealer and consumer arguments which go with each article. And these selling points must be given careful consideration. Frequently in foreign fields it is necessary to delve back into history and to find out the original arguments used in domestic selling. This is particularly true when attachments or conveniences are involved. It is doubly true when domestic arguments are aimed to offset domestic competition which is absent in foreign fields. The agent deserves not only coöperation, but also *intelligent coöperation*.

Coöperation with agents should begin and not end with the steps which familiarize the agent with the maker's products and selling arguments. The breath of selling life should be put into the entire relation by consistent, coöperative selling efforts. Goals should be determined, and determined efforts made to reach these goals. The lackadaisical spirit which says, "There you are. Now let's see how far you can go." is markedly inferior to the forceful spirit that says, "Here *we* are. There's where we've got to go to get maximum results. Let's get there!" For, after all, any but carefully rehearsed selling efforts between distant co-partners in effort are like the struggles of the untrained pair in a three-legged race. Unless effort is co-ordinated and synchronized to a high degree the result is wasted energy, a bad fall and a race lost.

Profits from Coöperation.—Amazing results often follow intelligent coöperation with agents, even in the face of long-established competition. In many markets articles which are the existing standard enjoy popular favor without, however, more than the slightest powers of resistance. They hold markets because of the absence of intelligent competition, rather than because

those who buy and who use them have been "sold" on their desirability. Only last year a line of toilet preparations which for at least five years had enjoyed 95 per cent of the importations in a Latin-American republic, lost over 90 per cent of its business to another American maker who coöperated with his agent in a sales campaign that reached into almost every home and which engaged the interest of every trade outlet for toilet preparations. The new-comer in a single year has not only achieved a sales volume nearly equal to its rival's five-year high-water mark, but also the new-comer has rendered his own displacement in favor (and in sales) impossible at any reasonable sales expense.

Coöperation is Mutual Effort.—The fundamental in coöperation with agents is to be sure that it is coöperation and not donation. Many exporters confuse the two, both in theory and practice. The bulk of "allowances for local advertising" are out-and-out donations. Real coöperation insists that there be a real and not a theoretical working together to accomplish a definite task. Many a good export selling campaign has been made into a better one by the intelligent suggestions of the agent. Many a poor export selling campaign has brought back profits instead of losses, simply and solely because the agent's energy and ability, acquaintance with his market and loyalty of his clientele, were forces too strong for even a half-baked export campaign to defeat.

Loyalty on the part of an agent presupposes a correct object for loyalty. The idol with feet of clay will soon discover his own weakness—for the agent will point out the weakness. The export executive who feels secure because he has his agent's signature on a contract stipulating definite yearly sales totals, is miscast as a director of sales. He should have been a slave-driver. For coöperation does not, never did and never will consist of whip-cracking of contract clauses over the back of any agent. The higher the amounts called for in an export exclusive agreement; the more difficult these are seen to be to achieve, the greater is the obligation of the exporter to coöperate in making certain that totals will be met without undue effort or unfair expenditure by the agent. The sales figures represent a mutual estimate of a fair amount of guaranteed sales. In any ordinary case the maker as well as the agent should be held to be responsible for the totals being reached. There must be coöperation of brain and investment as well as of heart and hopes.

The Agent's Viewpoint.—On this point it is well to quote from a letter now nearly eleven years old, but always fresh in memory and always of up-to-date value because it is based on fundamentals and not on frills. It is from a man who has perhaps earned as high respect by American exporters as any agent in the Far East.

"I have several times been asked," his letter reads, "why I represent three products which are by no means leaders in public esteem in the United States. My answer is a simple one. It is because I find greater profit and greater pleasure in representing them than I ever did when I had the unquestioned leaders under my agency wing. It is one of the inexplicable facts that some of the largest American manufacturers have no high official with an honest interest in their export trade. Foreign merchants with capital of millions and international reputation are at the mercy of an over-titled office boy."

"I rebelled," he continues, "and made it clear that I would resign unless they cared for profits enough to keep me in contact with someone who had a voice in the policy of the company I represented. I resigned, because I could not get such a promise. My present connections want export profits. Their presidents, general managers, boards of directors, all want foreign profits. They will spend an hour in conference on any serious point I raise. They will and do delegate some high official to work over plans for increased sales, that I submit. One of the three firms, whose presence on my list aroused your curiosity, sent their advertising manager on a 30,000-mile trip to aid me. But you are wrong on one point. You use the words 'little-known' to describe another of the firms on my letterhead. There is a saying 'handsome is as handsome does,' and this 'little-known' firm is by all means the *best known* in the Far East in its lines."

Where the Small Manufacturer Can Shine.—"You may be astonished," he elaborates, "to know that this 'little-known' firm completely overshadows ————— and also —————, who are such easy leaders in their home markets. They would be found as without reputation here. I know, because what reputation they have I established before I gave them up as hopeless. This newer, smaller and less known firm looms up as a world-beater here through the ceaseless efforts, both on my part and theirs, to dominate this market. They have sampled, they have used outdoor, indoor, street car and local newspaper advertising. They use liberal space in the leading export journals published in the United States which reach here. They even contribute modestly to local charities. Their president knows the birthdays of the heads of local businesses and writes congratulatory letters. This company subscribes to every local paper in the Far East (not so many as it sounds) and has a correspondent who writes a steady stream of letters to large

consumers as well as to dealers. Why do they do all these things, in which I could arouse no interest with _____ or _____? Because they want the profits, need them and are willing to be hard workers and good mixers to earn them; because they work *with* me, not depend *upon* me. There's a big difference."

How many manufacturers insist that their export salesmen allow time enough to get out and work with and for their export agents? The tendency is to travel too fast. The tendency is to get the agent's order, go with him to meet a few large accounts and then move on. Coöperation is not such a simple child. The better export salesmen are not above meeting the smaller trade. Good salesmen are all anxious rather than the reverse to learn at first-hand from consumers the real needs of every market, incidentally selling the very consumers they interview, and turning these consumer orders over to some dealer who will appreciate them.

Creating Consumer Demand.—One New England exporter is particularly keen on this consumer "missionary" work. In addition to including time for it in the trips of even his veteran salesmen, he has special missionary men who sell consumers for the account of the trade, and who sell the smaller trade for the wholesaler. But he insists that the agent do likewise, and while the missionary salesman makes first calls and distributes samples, it is the agent who must provide someone to follow through and make the salesman's visit fully effective. This New Englander also supplements the work of one of his very good salesmen (who has the one fault of being unable to sell one staple line out of his eighteen) with a missionary man. This helper starts out several months in advance of the senior salesman and specializes on the staple line mentioned. He leaves his consumer and small trade orders in reach for the senior salesman to use in getting stock orders from retailers and wholesalers through his agent.

This is, of course, an expensive way to get business, but the missionary man covers a different portion of the world's surface each year. He is used to round out development of their sales variety. He, in one trip, creates actual consumer and dealer demand which any salesman can maintain and most salesmen can develop, particularly as the missionary man's visit places the agent under real obligations and enforced coöperation.

Study as the Hope of the Future.—There is a world of study that can still be given the *problem* of the agent and the *problems*

of the agent. Exporters need to know more definitely when to use agents. Exporters need to know more clearly how they can coöperate with agents. But in the meantime there is little excuse for mistakes due to carelessness and indifference. There is no excuse for failure to consider the agent as an integral part of the selling machinery—a part that costs money—a part that deserves and demands constant attention and adequate lubrication.

CHAPTER XXX

THE EXPORT EXCLUSIVE AGENCY CONTRACT

"The most valuable ally and the most powerful enemy of the American exporter is the exclusive agent."—H. M. Maxwell.

Function of Agency Contract. Importance of Exact Definitions in Foreign Trade. Contracts Must Be Equitable. Examples of Unfair Contracts. Rights that Must Be Respected. Careful Wordings Essential. The Agency Contract as a Sales Document. Fifty Factors to be Considered in an Agency Contract.

The fundamental purpose of a written agency contract is to increase sales by so clearly defining mutual obligations that misunderstandings are impossible. Its chief function is not to enable the grantor to win law suits. An exclusive agency contract is merely the record of equitable duties and of the conditions under which these duties are to be discharged. It is an agreement between gentlemen whose interests are common and whose pleasure it is to associate themselves for profit.

The Strength of the Contract.—No contract is stronger than the intentions of the contracting parties. Those who have in centuries past and those who may for centuries to come hold a contrary belief, need no sympathy. The man who prides himself on his ability to beat the dishonest had best engage his abilities at a salary on the police force. Such a man is a costly luxury to the enterprise engaged in export selling.

Equity the Dominant Factor.—The export contract must be an equitable contract. If it demands more than it gives, then it creates, sooner or later, the resentment which is not compatible with greatest profits. If it gives more than it demands, then it weakens itself by its record of weakness. The man or the enterprise enjoying the signing of contracts manifestly unfair to the agents forgets that an agent's signature to such a contract is proof that the agent has been unwisely selected. For if an agent will placidly submit to such an imposition, it is fair to assume that the agent's future is imperilled by this business weakness.

False Security in Inequitable Agreements.—The usual export contract is inequitable on its very face. The exporter in his preamble grants the exclusive agency for his products in stated territory to the agent. Then for ten to fifty articles or divisions he arrogates to himself the right to be sole judge of every function of the agency relation. As equity in every form of human relations is the strongest force in the world today, it need only be said that the inequitable contract is a boomerang. Whether the final contest of the inequitable contract be in the agent's mind or in the Court of Last Appeal, its framer must be the loser.

Study Needed to Protect Rights.—The export exclusive contract should, first of all, respect and include the rights of both signatory parties. It must not be a one-sided agreement, even though its provisions, so far as they are included, are entirely free from unfairness. It must be written, if it is to be wisely drawn, only after the interests of both exporter and importer have been carefully studied. It must be written from the viewpoint which sees both buyer and seller as equal partners.

Clearly Drawn Contracts Essential.—The form of the exclusive contract is important. It must be clearly drawn. It must define unmistakably every phase which it touches. Vague provisions such as "Sixty day draft" or "Two per cent discount for cash payment" should never be permitted. The territory should be described so that if question arises the agreement will, by its explicit provision, answer the question. The man who draws up a contract and, while intending to limit agency representation to England, Scotland and Ireland, uses the words "Great Britain," paves the way to the inevitable controversy. Nor is it wise to leave it to the court to decide on the meaning of "Guatemala," when the use of the words "City of Guatemala" would make recourse to courts unnecessary.

THE EXPORT EXCLUSIVE AGENCY CONTRACT AS A SALES POWER

The agency contract should be a sales document. It should be free from legal phraseology except when legal terms are needed clearly to define a point. It should inspire confidence by its straightforward wording, and earn respect by its completeness and obvious fairness.

Posthumous Rights of Agent.—Whenever, in equity, an agent is entitled to recognition *after the termination of the contract*,

this legitimate interest should be included specifically in the contract and the exact form of payment made clear beyond doubt. This is not a dangerous clause. It is an asset and not an unwise contingent liability. The prospective agent as he reads such a clause before decision as to his acceptance of the agency, will see in it something which will end many of his misgivings. He will credit the exporter with both fairness and foresight. He will appreciate this tangible evidence of understanding and recognition of his right.

DRAFTING THE EXPORT EXCLUSIVE AGENCY CONTRACT

Each contract should have a foundation so carefully considered that the omission of any important factor is impossible. Based on an examination of several scores of export exclusive agency contracts (few of which were either complete or equitable) these factors should be included:

1. Agent's official name and address
2. Seller's official name and address
3. Nature of relation and mutual obligations
4. (a) Territory
(b) Products
5. Reserved rights of seller in described territory, such as governmental business, added products and direct sales to other than agents.
6. Term of contract
7. Method and time of compensation of agent
8. Protection of agent and compensation on direct or indirect sales in his territory.
9. Prices:
 - (a) Discounts, including cash discounts
 - (b) Catalogs and price lists to which discounts apply
 - (c) Price changes during life of contract
 - (d) Special charges for packing and casing
 - (e) F.o.b. point
10. Terms of sale
11. Conditions surrounding sales by agent for account of seller
12. Provisions covering bankruptcy, reorganization or transfer of or by either seller or agent.
13. Prices at which agent shall sell
14. Granting or withholding right of agent to sell outside his own territory
15. Right of agent to sell or act as agent for competing products
16. Allowances for advertising, samples and selling expense
17. Required purchases or sales in each year of agency relation
18. Definition of such purchases or sales and of required relation (if any) between purchases by agent in comparison with sales to others.

19. Provisions relating to the possible failure of agent to reach purchase or sales totals.
20. Statement of the right of seller to pass on and to limit credits on purchases and sales.
21. Cancellation clauses
22. Rights and privileges of seller and agent at expiration of contract or at termination of contract equitably protected.
23. Repairs, damages and claims defined and policy and practice portrayed.
24. Provision for disposition of stock at ending of contract
25. Conditions under which either party may assign contract to another.

FURTHER QUALIFYING CLAUSES

In addition to this rather formidable list there are necessarily included in some export exclusive agency contracts clauses to cover:

1. Establishment of service depots
2. Employment by agent of technical staff
3. Maintenance of display rooms, warehouses, sales offices
4. Carrying of parts or attachments
5. Allowances for competitive products "traded in" or taken in part payment by agent.
6. Value of stock to be carried by agent
7. Sales assistance to be rendered by seller's representatives or otherwise
8. Penalty clauses other than those relating to forfeiture of contract
9. Arbitration of disputes by named third party or parties
10. Authority of agent to act for seller
11. Ownership of trade-marks, copyrights and patents
12. Changes in customs tariffs
13. Changes in ocean or inland freight rates
14. Changes in marine and war risk insurance rates
15. Reports by agents of his sales in detail and of visits to prospective buyers and information obtained thereby.
16. Cost of cables, correspondence and office expenses
17. Compensation of agent for mere acceptance of agency contract
18. Local or temporary purchases from other sources of supply by agent in event of seller being unable to supply his products.
19. Defrayment of agent's expenses on trips to seller and frequency of such trips.
20. Insurance on stock carried by agent
21. Financial arrangements to protect seller in cases where consignment stock is carried.
22. Guaranteeing of payment by third party in event of agent's failure to pay in accordance with contract or deposit of funds in escrow.
23. Right of agent to appoint sub-agent and conditions under which such sub-agencies shall operate.

24. Division of excess profits when sales are made either by agent or seller at prices higher than mentioned in main clauses of contract.

25. Payment of taxes, cost of complying with legislative enactments either in country of seller or of agent.

26. Terms as well as prices subject to change after due notice

27. Agent to be responsible for credit of customers.

These additional clauses by no means cover the range of conditions, actual and possible, which are included in exclusive export agency contracts. The fifty-odd points included in the two groups must be regarded as suggestive rather than exhaustive. Each one given is worthy of an export executive's best thought in its application or lack of application to his own enterprise.

Non-essential Clauses Unwise.—It by no means follows that an agency agreement should be rendered cumbersome by visionary clauses. Careful selection of the agent will make both unneeded and unwise any contract that includes more than the "certainties" in relations and a selected few of the "strong probabilities."

Five Important Factors.—In the study of the problems which are inherent in the consideration of the export agency and the export agency contract these five points can well be borne in mind:

1. Decision should be based, on the granting of any agency, on the needs of the future as well as of the present.

2. The choice of an agent should not be made in haste or without adequate investigations.

3. The credit man's training and abilities should be employed before any contract is prepared.

4. The square deal—the equitable contract—is the only contract any exporter can afford to offer.

5. Each contract should be a monument to the maker's knowledge of the best practices in exporting.

Those who will test each contract by these five points and will act upon the concentrated and expensively acquired wisdom they contain will do much, not only for themselves but also for the good name of the United States in foreign trade.

CHAPTER XXXI

SHOULD THE EXPORT MANAGER PASS ON FOREIGN CREDITS?

"There can be no question as to the ability of the export executive to become capable of passing upon foreign credit risks. It is the advisability—not the ability—that is to be questioned."

—Harry W. Hanson.

The Export Manager's Knowledge of Actual and Prospective Customers. His Ability to Become a Grantor of Foreign Credits. His Direct Interest on Net Profits. Possible Economy in Export Manager's Control of Credit Function. Are "Foreign Credits" more "Foreign" than "Credits?" Examples Proving Assumption of Credit Duties Rob Export Manager of Time Needed for Organizing and Selling. Capitalizing the Greater Experience of the Credit Manager. Wisdom of Divorcing Credit and Sales Functions.

Should the export manager pass upon foreign credits? Long-established and diverse practice has resulted in opinions based upon a precedent rather than upon a sound analysis of the vital factors involved in the crediting of foreign orders. The underlying principles can best be determined by a review of the expressions of men whose life work has been largely or entirely in the opening and maintenance of business relations with importers abroad.

Export Manager Knows Customers.—First can be listed the views of those who favor the export manager as the logical one to pass upon foreign credits. The outstanding argument expressed and implied is based upon the unquestioned truth that the export man is more familiar than the credit man with importers abroad before they order and thus become subject to credit decision. It is emphasized that the good export manager from the very start seeks to know each prospective customer in order that the sales efforts may be individual and compelling.

The second major argument is that the export manager is entirely capable of passing on foreign credits. Evidence is advanced to show his power in initiative, his necessarily well-balanced judgment and his wide opportunity to know human nature. Stress is placed upon the truth that by necessity the export manager knows foreign draft usage, foreign banking, with

particular reference to discounting and the usual terms extended abroad by competitors both foreign and domestic. Thus is the export manager proved capable of handling foreign credits, particularly (as one able executive points out) when on the technical side he can use the domestic credit man as an advisor.

Balancing Sales and Credits.—The third major argument states that the export manager has a dollar and cent, day in and day out set of reasons for making the sales of his department profitable. Therefore, if he is entrusted with the crediting of foreign orders, he will carefully avoid losses that would decrease the profit side of his department ledger, both by care in credits and by refraining from the solicitation of doubtful risks. Between the lines of the testimony of several witnesses is the thought that the export manager should handle foreign credits as a balance weight against too promiscuous selling efforts.

The fourth major argument for the export manager's control of credits, is that of economy. A wide difference between domestic and export selling is pointed out in the fact that before an order is finally received from an importer the export manager has secured through various channels a wealth of information in regard to the prospective customer. This information, secured primarily for sales purposes, is usually adequate for the credit decision when the initial order is once received. Thus several quite naturally emphasize the lost time and waste motion in turning over to another all the physical and mental data accumulated in the process of selling, particularly as it is estimated that in more than three-quarters of all cases a favorable verdict is certain.

"Foreign" or "Credits?"—The fifth major argument is that "foreign credits" are far more "foreign" than "credits." The advocates of this view base their claim on the truths that while domestic business is usually conducted on open account, export business is usually on a time documentary draft basis; that the practice peculiar to exporting, of discounting documentary drafts, is a further proof; that export terms differ widely from domestic terms; that foreign credits are based on assembled information rather than on symbols in a rating book, and that export collections (the twin sister of foreign credits) are an entirely different type from domestic collections. With these facts made prominent, they point out that the export manager

must constantly be in touch with the export practices which are entirely out of the daily routine of the domestic credit manager.

Entirely different in nature is a forcible argument which, it is rightly claimed, has wide application. It is a true premise that many manufacturers have an almost non-existent domestic credit department. It is argued that with the advent of foreign credit problems it is wise to leave the solution of these to the export manager, rather than to create an office unneeded for domestic business and which would be needed only for a few hours a month for export business. Many American manufacturers dispose of their output to one hundred or less domestic outlets, all of whom are known personally to one or more of the officers of the corporation who know intimately the business affairs of these customers. Hundreds of other American manufacturers produce articles the sale of which by an individual retailer is so small a fraction of his total sales that credits, in all but exceptional cases, are little more than the clerical task of looking up the mercantile agency ratings. The few exceptions are handled by some officer of the company based upon mercantile agency special reports.

The Credit Man Who Is Afraid.—Strangely enough, those who believe that the export manager is the one to pass on foreign credits, pass lightly by a situation once all too commonly met. The export trade of the United States up to a few years ago, and to a less extent today, has been and is handicapped by the existence of credit men with neither a liking for nor a knowledge of export trade. These men, who enjoy the confidence of the management of their enterprises stand between the export man and the development of his foreign sales. They do not wish to assume responsibility for losses in far-away countries. They play safe by insisting that cash accompany order except in a few cases of exceptionally large importers. The very existence of this type of credit man who, by pressure of his own craft, is rapidly nearing extinction, certainly supplies a very strong reason for the control of credits by the export manager.

The Effect of Location.—Strangely enough, the proponents of the export manager's credit duties invariably overlook entirely the frequent cases apparently on their side when the export department is located at seaboard and the parent factory is inland. In these many cases, particularly where "seaboard" stands for "New York," the export department's records are

hundreds of miles away from the credit man. The export manager has accessible in his own city the bulk of all credit data that is a matter of record. He is surrounded by other exporters among whom there can usually be found several with credit experience with any risk on whom credit is to be passed. In such cases, by making the export manager responsible for foreign credits, sailings can be caught that would be missed if all credit investigation and decision was centralized at headquarters.

There is, however, another side to the question. Each exporter, actual and potential, should examine carefully the views of those who have decided that the credit manager and not the export manager should pass upon the credit standing of importers abroad.

Profitable Time Utilization.—The master argument—one used in many different wordings—is that the export manager can best use his time in the development of export sales. Eminent export managers who have assumed and later dropped foreign credit work join with the highest officers of other companies in the straightforward statement that until an exporting manufacturer has an entirely adequate volume of foreign sales, the export manager's work should be entirely devoted to the selling end of merchandising. It is entirely evident from the testimony of many export managers that they are already overworked with their present duties, and that to add foreign credits as an integral part of their work would be to lay the traditional straw on the camel's back.

This master argument advanced by export managers in opposition to any addition to their selling and organization duties is accompanied by an equally strong argument by credit men and the high executives of American business against the export manager's passing on foreign credits.

"Credits Are Credits."—"The credit man should be the credit man," is the terse statement of the president of a machine tool works with world-wide trade. "The credit man who shrinks from foreign credits is either a back number or a quitter—or both!" is the verdict of a credit man high in the inner circles of the National Association of Credit Men. This group stands on firm ground in their argument that "credits are credits, at home or abroad." They assume that the credit man's duty is "to determine the right to credit of individuals and enterprises not personally known to him." This, they maintain staunchly, is

exactly the same task when the order comes from Porto Alegre as from Indianapolis.

The opponents to the export manager's crediting of export orders insist that just as the export manager becomes expert in export selling by daily practice in the art, so the credit man's vaunted credit sense is the result of daily study and practice in the art of credits. It is indeed strange that while advancing this basic truth they did not add that there is far more to the art of foreign credits than merely granting or refusing credit. The wide field of opening up credit relations and arranging for financing doubtful risks is a matter in which the credit man's domestic experience has no counterpart in the experience of the export sales manager—and it is a most important field.

Existing Credit Equipment.—Just as the advocates of export manager's credit phase point out economies, so does the credit man claim that his department can absorb foreign crediting, handling it with exactly the same machinery that is used in domestic credit work.

“It would be a rash export manager who would claim that the credit department lacks facilities or ability to handle foreign credits. For every economy the export manager can prove we can show an equal or greater economy, because we have the machinery for credit investigation, credit decision, exchange of credit information with other domestic grantors of foreign credits and the filing of credit reports,” is the summary of a Western credit man. “If anyone feels that the crediting of foreign orders can be handled equally well by either the export manager or the credit man, then it is obvious that preference should be given to the credit man. These are sound organization tactics and equally applicable to the relations of the export manager with the production, traffic and advertising departments. There is no true economy in using the export manager to save a few cents in assembling credit data in his own hands when it robs the enterprise of the dollars he should be making in landing export orders.”

Mutual Advantages of Individual Responsibilities.—A forcible argument from the standpoint of the individual for the credit man's control is put forward by several. These keen analysts find that the export manager is judged by profits on export sales, and that the more he sells profitably, the greater his compensation, whether on salary or on commission. In similar vein,

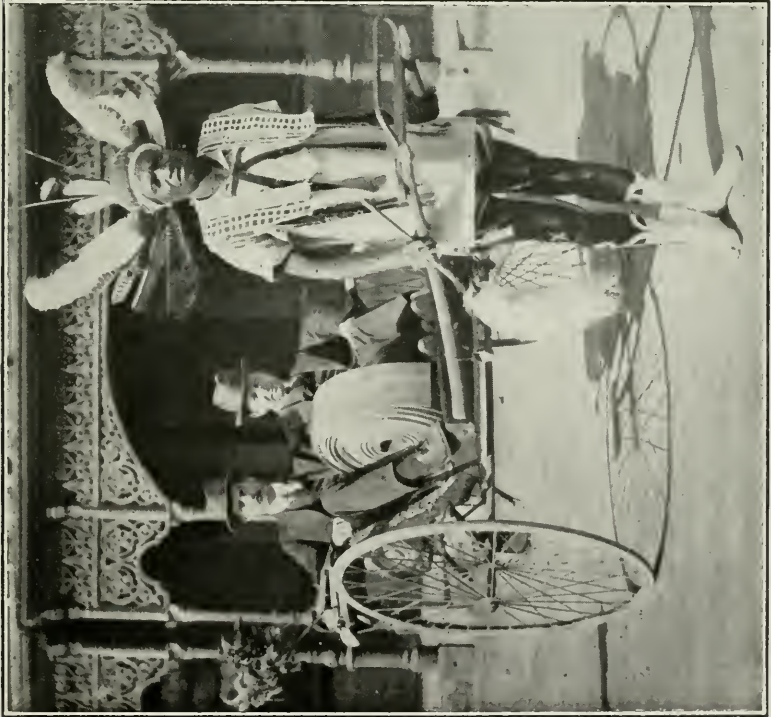


FIG. 24.—Selling Belting in South Africa. Representatives of United States Rubber Export Company, Ltd. at work in Richmond, Natal.



FIG. 25.—American rifles win again. A triumph for the accuracy and distribution of Winchester Repeating Arms Company products overseas.

they point out that the credit man increases in value with the volume of credits on which he passes when coupled with the per cent of credit losses. The argument continues, "If the export manager confines himself to building sales, he will sell more and thus give the credit man a greater volume of credits. Because it is true that export credit losses average less than domestic credit losses per dollar of sales, every foreign credit dollar helps to improve the showing of the credit man. Thus, by keeping foreign credits with the credit man the enterprise secures greater profits because of increased sales, while both export manager and credit man show to their best advantage."

A novel presentation of the advantages and disadvantages is quoted from *The World's Markets*. It is in the form of a charge by a judge to a jury of export men.

THE JUDGE'S CHARGE

"Hear ye! His Honor, the Judge!"

"Gentlemen of the jury, we have here the person of foreign credits. It is for you to decide whether his true guardian shall be Mr. Export Manager or Mr. Credit Man. Entirely apart from your individual preference, it is your duty to decide upon the merits of the evidence that has been presented before you and upon your deductions from this evidence.

"You can eliminate from the field of the argument certain agreed-upon facts. There is no dispute that on the grounds of ability Mr. Export Manager is capable of the guardianship involved. But it is also agreed that Mr. Credit Man, if he is worthy of his name, is equally capable. In a similar way you can eliminate offsetting arguments. Both those who plead for the guardianship of Foreign Credits for Mr. Export Manager and for Mr. Credit Man prove economies which would result as a result of such guardianship. In the opinion of the Court these economies are of minor moment in either case. Dependent upon the location of Mr. Export Manager and dependent upon the character of the credit machinery already in the possession of Mr. Credit Man, these economies exist or cease to exist. When they do exist their dollar total is significant.

"The counsel for Mr. Export Manager's guardianship has been pleased to claim for his client his decided interest in making export sales profitable by keeping down foreign credit losses if placed under his control. There is no evidence to prove that this is not his natural duty and natural course—natural for purely selfish reasons—in any event. There is ample precedent to show that any sales manager of merit—domestic or foreign—recognizes the waste of promiscuous solicitation. Many well-known cases can be cited to prove that the

entire trend of good selling has been toward the application of balanced sales appeal to selected prospective customers, and because of sales economies from these practices.

"Gentlemen of the jury, it is for you to decide whether 'Foreign Credits' are more 'Foreign' than 'Credits.' The learned counsel for Mr. Export Manager's guardianship point out the many details in which practice in sales abroad differs from practice in sales at home. These differences are matters of fact, and as such are admittedly true. But you will take also into consideration whether these proved differences are of vital importance. You will note that in the list of these differences is it not claimed that the credit standing of an exporter abroad is decided upon different grounds than is the credit standing of a merchant here at home. It can, therefore, be assumed that the basic requirements, some combination of which must exist in order to reach a favorable credit decision, are Character, Capability, Capital, Profit, Record of Prompt Payment and Need of Representation.

"With these facts before you, it is your duty to decide whether the differences in export practice are of greater moment than the universal similarity of credit requirements of the individual risk.

"It is entirely within your province to accompany your decision upon the merits of the case with a memorandum relating to exceptions which to your mind fall beyond the limits of the ordinary application of your verdict. Take, for example, the claim of the counsel for Mr. Export Manager's guardianship in cases where in the conduct of the domestic merchandising of an enterprise no true credit department or credit man is required. If you find that in such cases—and it is admitted that their number is not inconsiderable—the claim of the counsel for Mr. Export Manager's guardianship is well taken, then so state in your memorandum in case you deny to Mr. Export Manager guardianship in all other cases. Similarly, if you find well taken other claims such as may be included in cases where the export department actually or virtually buys from the parent company and sells for its own account, you, Gentlemen of the Jury, will so note in bringing in your verdict.

"Your attention is directed to the testimony of a credit manager who suggested that in cases where for any reason the credit manager refused to give adequate attention to foreign credits, that this be brought to the attention of local or national credit organizations. It is proper for you to take cognizance of this suggestion in the form of your recommendation for or against such type of action.

"Gentlemen of the Jury, you have heard the evidence. Your verdict should be determined not upon sentiment but upon facts and your judgment of facts. A guardianship must be created with or without exceptions. You will now retire to the jury room for your considerations."

Thus ends the Judge's Charge.

Is not the verdict foreshadowed?

CHAPTER XXXII

THE FUNDAMENTALS OF FOREIGN CREDITS

"The great question before the world is credit."—J. H. Tregoe.

Why Should Credit Be Extended Abroad? Illustration of the Nature of Foreign Credits. The Function of Foreign Credits. How Credits Increase Sales. The Time Element in Credits. The Relation of Turn-over to Extension of Time. How Per Cent of Profit Affects the Granting of Credits. Examples of Credit Granting. Reasons for Taking Cash Discounts. The Individual is the Dominant Factor in Foreign Credit Granting. Credit Is Personal and not National. The Three C's of Credit. Credit Investigations before Solicitation of Orders. Sales Use of Credit Data.

There is no reason why every export manager, export executive and credit man should not fully understand the principles and practices involved in extension of credit to importers abroad. It is entirely a simple, sound and safe branch of merchandising. Its problems are not problems involving a difficulty in understanding the problem as a whole, but are the very human problems of the individual credit risk. The game of billiards furnishes an excellent illustration of this difference. The fundamental of billiards is simple—to hit the two object balls with the cue ball. The execution of the principle varies from ridiculous simplicity to highly skilled mental and manual effort.

What Is Credit?—The first question that must be answered is "Why should credit be extended abroad?" To answer such a question fully would require an investigation into the basic laws of merchandising. Primarily, credit is a means to increase business. In its simplest form it is the loan of an axe to a man who will chop with it both wood for himself and for the grantor of the loan. The second step would be the purchase of an axe on credit, payment to be made with an agreed quantity of wood. The necessity for credit is easily seen in this simple illustration. The man who made the axe could make another one, even when very possibly he lacked the strength, skill or desire to chop wood. It is entirely probable that many early credit problems were of exactly this nature.

It is well to carry the credit function to a modern and to an international transaction. By an example, the use of foreign credits can be clearly illustrated so as to define their nature. This will show conclusively that credit extension is *not* in any way the same as a discount, rebate or similar type of sales inducement. Above all else, each exporter, actual and potential, should become positive in his knowledge that length of credit is not a proper matter for competitive effort. If one will but examine this one transaction closely he will at the same time kill in his mind, once and for all, the misconception of "long foreign credits"—a bugaboo still present in the minds of many who have failed to get to bed rock in their thought.

An International Example.—In this typical international transaction there is on one end the A B C D Manufacturing Co. of Boston; on the other hand, Enrique Gonzales of Arequipa, Peru. It can be assumed that the A B C D Manufacturing Co. have decided to seek increased sales through export trade for reasons of desired added profit, insurance for themselves against periods of domestic financial depression, and to balance domestic seasonal demand—three compelling and sound reasons for exporting. The "A B C D" has ample capital for its ordinary business requirements, and extends credit at home on the usual but crude—pitifully crude—basis of open accounts.

Enrique Gonzales of Arequipa, Peru—name and address fictitious—can be assumed to be a young man in his early thirties. His modest earnings have been invested largely in the equipment of rented quarters. He has the best of records in his home city of Arequipa. He has shown positive evidence of both personal and business morality. Still a young man, he has, nevertheless, by diligence and intelligence, paid debts left by his father. He has been in business for himself for a year, and has shown marked ability to conduct an ordinary retail business.

Looking into the Future.—Turn again to the A B C D Manufacturing Co. What are their hopes in Arequipa? It can be assumed that "A B C D" manufacture an article sold at home and abroad, because of its nature, on the "dealer agent" plan—the exclusive agency for a limited territory being given to a single retailer, as is the case with certain branded shoes, phonographs, automobiles and similar products. "A B C D," looking well into the future, are far more interested in the relative rank of

retailers ten years ahead than the temporary rank in the present. Beyond all this, the other logical candidates in Arequipa are already representing competing products.

With these preliminary explanations, it becomes clear that the situation is extremely simple. The A B C D Manufacturing Co. cannot make profits by sales in Arequipa without representation; Enrique Gonzales has character and ability to sell goods and to manage a retail business, but lacks surplus funds sufficient to buy, cash in advance, a stock of the size he will need to have adequate variety. If the A B C D Manufacturing Co. refuse to sell except for cash in advance or upon delivery, they limit their own sales volume, for such a limitation will bar Enrique Gonzales from purchase. The remedy is seldom found in shipments on consignment, the title to remain with the seller until goods are sold.

Solving a Problem.—The one clear answer to the problem is one that every man of business must see at a glance. The A B C D Manufacturing Co. are in a position to say to themselves, "We need export sales in order to make export profits and to accomplish other highly desirable ends. We want our export trade to be well balanced, not only in number of countries included, but also in the number of cities and towns within each country. Arequipa is a city in which sooner or later we must be represented in order fully to serve users in Peru, and to bring to ourselves profit from such service.

"To secure sales and earn profits in Arequipa over a long term of years we must have representation. This representation must be of a type entirely acceptable to the consuming public of Arequipa—those who are to buy and use our product. Our resident representative must be a man of honor and of ability, so that he will increase in power and rank in his city, and will in each succeeding year become a better outlet for our merchandise."

Analyzing a Sales-credit Situation.—The A B C D Manufacturing Co. would then continue the argument, "Enrique Gonzales is an honest, capable man. He will be an admirable agent and will sell our products wisely and in increasing volume. He is honest, so we can count on him to pay us from the proceeds of his sale. He is capable, so we can count on his selling rapidly so that payments will not be long delayed.

"Therefore, it is wise for us to send an adequate initial stock

of our products to Enrique Gonzales. We will safely figure that within ninety days from the time he receives his stock, he will have sold a sufficient portion of it to pay for his entire purchase. Since he is honest, he will pay his draft when due from the proceeds."

Two Dangers in Moral Risks.—This is essentially sound reasoning. This is proved countless times every day of the year from the experience of exporters of every country with "risks" that have character and ability coupled with limited resources. If this is true, where is the danger? There are only two dangers. The judgment of the credit man as to the importer's honesty or his business ability may be wrong. The man may die or become incapacitated. In the first case the importer may select the exact time of the particular transaction we are describing to decamp, or he may be driven to bankruptcy. In the second case the importing enterprise depending upon a single man and without large funds may well not pay from the estate the full amounts due.

But credit men do not fear these contingencies. The information they secure from a reliable source leaves little to the imagination, either as to the importer's business morality or ability. The chance of death or disabling injury during any half-year is remote, and it is probable that even in the event of either, the proceeds of liquidation based on selling price—will be ample to pay for the actual cost of the goods and expenses incurred.

Profits from Credits.—Thus the credit medium, in the transaction just reviewed, has made possible a profit to the manufacturer which he could not otherwise have secured. The desire of the importer with limited capital, and his proved ability, would have been no asset to him or to the manufacturer unless the latter loaned him goods for ninety days after presentation of draft. With the actual goods on hand, the sales ability of the importer converted them quickly into money, which made the complete transaction possible.

The Time Element.—Thus is passed very lightly over a most important phase of foreign credits. The basic idea of credit is not the amount of the loan, but the time extended in the loan. This statement is not as radical as it seems at first glance. Without some time limit or some interest charge, obviously a loan becomes a gift. At best it becomes a most indefinite asset. Only the experienced credit man takes the right angle toward the

time element. The inexperienced invariably figure on the amount of time they are willing to extend. Behind this thought is the thought of their own resources and their subconscious desire to receive payment before any untoward events occur.

The experienced credit man looks primarily at the time *needed* by the buyer. Credit, to be credit, must enable the buyer to pay his obligation from the proceeds of his sale. There can well be ignored here the entirely different type of credit which is extended to a consumer by a dealer, except as credit to a dealer enables him, in turn, to extend credit to the consumer. Therefore, it can be seen that from this viewpoint the length of credit rightly to be extended depends upon—

1. The rapidity with which goods will be sold
2. The per cent of profit to the dealer.

These two elements are of equal importance. Both lead to the same result in money available at a given time.

Percentage of Profit to Dealer.—A single example will prove this seldom-realized truth. Enrique Gonzales buys \$1,000 (laid down cost) in merchandise, which arrives on May first. If the lot is sold by him at a profit of 100 per cent on cost—\$2,000—in 2 months, he will average to have sold one-half the shipment for \$1,000 on June first, and can discharge his obligation in full from his proceeds. This 1 month will show him a profit of \$500 on goods sold. If, on the other hand, the merchandise shows him a 50 per cent profit on cost and he sells the entire lot in 1 month, he will have \$1,500 available. The profit to him in 1 month will be \$500, as before, because his turnover was twice as rapid.

Turn-over a Credit Element.—It thus becomes clear that the time element in credit is not entirely a matter of whim. It also becomes clear that, gauged from these standards, credit should be based from the time goods are available for sale in the importer's establishment. As a matter of fact, in the past ten years in particular, time extension in foreign credits has gradually been forced toward this basis.

It is seldom today that we hear of "date of invoice" draft. The very term indicates that the time extension was based upon the exporter's own financial problem as he saw it, and not on the importer's needs. More and more the "Sixty-day sight draft" is becoming the equivalent of "sixty-day date of arrival" draft, because each year more and more banks are not presenting drafts until goods arrive. This is either of their own volition or because

importers refuse to accept drafts until goods arrive. In cities like Rio, where it frequently required more than a month to clear goods after arrival, it will be found that exporters—experienced exporters—recognize this fact. They arrange for drafts to be presented for acceptance after goods have been cleared.

“Arrival” Drafts Sound.—It will not surprise careful students of the time element in foreign credit extension if in two more decades the documentary time sight draft becomes all but universally recognized as definitely on the basis of “presentation for acceptance on arrival of goods” in most cities, and on the basis of “presentation upon clearance of goods” in cities like Rio.

Credit Extension to Large Importers.—In the single transaction which was examined stress was laid upon the limited financial resources of Enrique Gonzales. This was purposely emphasized to magnify the necessity of credit. Change the name of the importer to Hartwell’s, Ltd., of Bombay—name and city fictitious—and credit this importer with ample capital in addition to honor and business ability. The need for credit still exists. The function of credit is the same as in the case of Enrique Gonzales.

Hartwell’s, Ltd., themselves sell on credit. The A B C D Manufacturing Co. in extending credit to Hartwell’s, Ltd., enables them in turn to extend credit, and thus to pay “A B C D” from the proceeds of current sales at the end of the credit period, and by extending credit “A B C D” does not insist that Hartwell’s, Ltd., pay from past profits—resources—and does not force them to borrow for the particular purpose of payment of obligations to “A B C D.”

THE FUNCTION AND USE OF THE CASH DISCOUNT

Where cash discounts are taken, it will be found upon analysis to fall into one of these groups:

1. Cash payments demanded.
2. Greater resources available than needed in the ordinary conduct of the importer’s business
3. Money has been borrowed in order to discount bills.

The first case explains itself. Some enterprises are sold only on cash terms. This is due to lack of record of success, questionable honesty or questionable ability. The second group includes a large number of importers in all, but a small percentage of the whole, whose profits are so great that they cannot wisely be

reinvested in the business and can profitably be used in anticipating payments because of the high yield offered by the discount percentage. This high rate of yield offers opportunity also to firms without cash resources. Such firms, when they enjoy the confidence of their bankers, can borrow easily in order to make the profit possible by discounting. Many banks feel that a loan made in order to discount bills is based on the most sound of reasons, and encourage loans of this type in every way.

Interest Rates and Discounting.—The high yield in times when gilt-edge risks can borrow at from 4 to 5 per cent is easily computed. John Jones is offered by "A B C D" the option of payment at sight less $2\frac{1}{2}$ per cent (the usual rate of international commerce) or of 60-day sight draft terms. This means that if he chooses sixty days' credit he pays $2\frac{1}{2}$ per cent for the privilege. If a year was made up of 360 days—six full sixty-day periods—John Jones would pay 15 per cent per year for the privilege of time credit extension as against discounting.

Why are not all payments anticipated because of this possible yield on investment? To this fair question there are several sound answers. In many cases the importer can make well over 15 per cent by using in his own enterprise not only all his own money but also all he can borrow. In either case the importer is not of such sound standing as to enable him to borrow the large amounts needed to enable him to discount all his purchases. In still other cases the element of exchange is the deciding factor. If a draft with option of cash discount is presented when exchange is favorable many importers make it a rule to discount. If exchange is unfavorable, when the draft is presented it is merely accepted and payment is deferred either until exchange is better or until maturity.

Will the Cash Discount Be Abolished?—It may be generations before the cash discount in international commerce is abolished. It is in many ways an excrecence on trade performing no useful function. There are better and more logical methods of computing the worth of payment before maturity than the bald offering of a concession entirely out of proportion to the money value of the advance payment. That the cash discount as ordinarily used is absurdly unscientific can easily be shown in the practice of exporters to extend the same per cent whether the draft is at 60 or at 90 days' sight—roughly a *difference* in yield of over 5 per cent per annum.

An entirely different use of the cash discount should be mentioned to clear up the existing confusion on this minor but important phase of export trade. Many good credit men test the bank standing of the little-known exporter by coupling a *lower* merchandise discount with a high cash discount—often reaching 5 or even 10 per cent. The importer who chooses credit to discount in such circumstances virtually admits that his local banks are not confident of his ability to conduct his business properly. On a 10 per cent cash discount basis as against a sixty-day sight draft the yield by discounting would reach a total of 60 per cent per annum. The importer who could not induce his bank to loan him money to secure this yield would, indeed, be a poor risk and one from whom some more definite security than his mere accepted draft should be requested.

These exceptionally high cash discounts extended for such a definite purpose are only distantly related to discounts theoretically intended to represent an approximation of the value of money promptly in the hands of the exporter.

The Practice of Foreign Credits.—In the examples examined and in the discussion attendant on these examples, at least elementary thought has been given to the credit function and to the foundation upon which credit rests. Only to the minimum necessary to make the examples complete has *practice* in foreign credits been touched upon—the wonderful field which is the delight of the good credit man and the despair of the timid and uninformed. The broader phases of foreign credits have been described. Individual cases have been cited, not as individual credit problems, but as examples of types of credit risks, and have been used merely to visualize the principles of foreign credits.

Credit Is Personal Not National.—In the practice of foreign credit granting, the individual is the dominant factor. This is well proved in the case of Mexico in the period from 1912 to 1920. During these years, Mexico as a nation was decidedly not a sound credit risk. But individual enterprises within Mexico were always good credit risks in the eyes of good export credit men. This has been proved by the unbroken extension of credit and shipment of goods by exporters fortunate enough to have their foreign credits passed upon by men of courage, judgment and experience. One New England manufacturer has the proud record of continuous relations on a pure credit basis in Mexico coupled with shipment of every order sent in good faith durin,

the eight-year period mentioned, and with a total loss of less than \$500. This will unquestionably be reduced to a fraction of this total when conditions become entirely normal, because their customers at present unable to pay will later liquidate the indebtedness they insist upon acknowledging as their first duty.

Ledger Experience as Proof.—There is further proof that in business transactions credit is personal and not national in nature, and on this basis does not change with race, creed or color of skin. One of the most common misconceptions of export trade is that certain nations are made up of races of individuals all of whom are tricky and dishonest. This is proved to be false by the ledger experience of exporters who for centuries have traded without credit losses over ordinary domestic average in these countries. These exporters have based their extension of credit on the individual, and focussed their examination upon the individual. It would be surprising, on this sound basis, if their losses were greater than normal.

THE FAMILIAR "THREE C'S"

The basis for credit to the individual is his Character, Capability and Capital—the three "C's" which are familiar to every credit man in domestic or foreign fields.

Character—an Absolute Essential.—Every sound credit risk must have Character—positive business morality—the red-blooded intention to pay debts incurred at time of maturity. There are credit men who are wont to ignore this truth and to feel that financial resources plus capability are sufficient. This is fallacy. The credit man who is clever enough to have cause to believe that he can wisely extend credit to the dishonest should engage himself in an entirely different profession. Credit—foreign or domestic—is based squarely upon the Character of both buyer and seller. The day of the commercially dishonorable, if it ever truly existed, is long since—and happily—past.

Capability—the Forecast of the Future.—Capability—the sagacity and execution which enables its possessor to prosper deservedly in business—is second in importance to Character. Credit extension is based upon the future—not upon the present. The credit question is not alone what a risk is able and willing to pay today. It is what the risk will be able to pay at the time the debt matures. Capability on the part of the importer

is the force that, in advancing the interest of his business, insures payment when his debts mature. Because of this fact, Capability is ranked as a credit asset higher than Capital. Capital may be lost between the time the debt was contracted and the time the obligation became due, and lost solely because of lack of Capability. Character is powerful, but unless coupled with either or both Capability and Capital it stands merely for intentions.

Capital—Protection against the Unexpected.—Capital—money—financial resources when accompanied by Character—intention to pay, is most powerful. Capital insures against the improbable—against the unknown. Capital is protection in times of domestic financial depression in the country of the importer. Capital carries on the conduct of the enterprise in the face of unexpected losses. Capital makes possible the full power of Character and Capability by removal of natural limitations. Capital increases profits by enabling the enterprise to buy in accordance with the full needs of its market, by attracting on adequate compensation brains that will advance its interests, by making possible adequate establishments and equipment and by enabling the merchandising brains of the enterprise to operate with freedom.

The credit man who fears to pass upon foreign credits when informed of their Character, Capability and Capital is not deserving of the name. He is not cowardly, however, if he checks his judgment by the proved past or, in absence of detailed information on the three "C's," relies upon an entirely different element. This other angle from which the right to credit is often determined is "reputation for prompt payment"—the actual ledger experience of other exporters with the individual risk involved.

The Right to Credit.—Thus if May Foo Sun of Shanghai—name and place fictitious—is found to have met all obligations in a business-like manner in his dealings with all others who have sold him on credit terms, the presumption is that he will do likewise in other cases. Indeed, so strong is this presumption and so true has it proved as a test, that in absence of other evidence "reputation for prompt payment" is frequently considered ample basis for decision. This factor in foreign credit-granting is better appreciated by credit men each year. A generation ago each credit manager, with the exception of a few far-seeing

men, felt that their own ledger experience with foreign risks had been secured at so great expense that they were not justified in giving it to others. Today the exact reverse is the case, as will be seen in our consideration of sources of foreign credit information.

In the actual handling of foreign credits the best practice calls for investigation before an order is solicited. The best practice calls also for investigation of the source of an unsolicited inquirer before the order is received. The reason why this has become the best practice—and it is still confined to a handful of advanced exporters—lies in the economy of effort and betterment of service which the best practice makes possible.

DANGERS AND WASTE OF PROMISCUOUS SALES SOLICITATION

Investigation of the prospective customer before solicitation of his patronage is sound business economics. There is only waste in efforts that result in securing an order which is not shipped because it cannot be credited. It is far better to confine sales effort to desirable prospective customers than to solicit indiscriminately. It is, indeed, strange that in these days when so much attention is paid to the character of readers of magazine and newspaper advertising, that the identical principle involved is not commonly considered basic in export selling.

Credit investigation of the unsolicited inquirer is sound from the standpoint of service. The ideal of shipping service is to forward goods by the first steamer sailing after receipt of order. The maintenance of this standard inevitably must depend upon the crediting of the import order as soon as it reaches the foreign credit department. This ideal cannot be attained unless the credit man, acting upon data secured in advance, has material on which this prompt and sound decision can be reached.

Advance Data on Prospective Customers.—Without invading the field of export selling on this point, it is fair to make the statement that the securing of advance data does not involve an unjustified expense. Data secured in advance for the crediting of export sales is of utmost value in securing export sales, and as such the expense is properly chargeable to both sales and credit departments. In similar vein, the best practice of advanced exporters calls for cabled “advice of orders” taken from new

accounts by either agents or salesmen. These "advice of order" cables have phrases relating to the credit standing of the risk and method of payment involved. But their chief function is service, and the portion fairly to be charged to the credit end is small. When a well-constructed private cable code is used expense is negligible in proportion to amounts involved and results secured.

Credit Sense.—There is ample opportunity for the credit man to utilize his credit sense in passing upon the orders which the export department secures. Contrary to the impression of the new-comer to foreign credit fields there is wealth of data available upon importers abroad. It is usual to find in the credit files of the long-time importer far more complete information than is held on similar types of domestic customers. Export credits are based upon decisions made from a knowledge of the individual risk's three "C's"—not by cold symbols in a rating book.

CHAPTER XXXIII

THE FOREIGN CREDIT MAN AS A MERCHANDISER

"All employees are expected to work toward the making of profits for this company. Every employee, whether in shop or office, can but help in some degree to be a salesman of our products."
—Herbert E. Cushman.

The New Conception of the Foreign Credit Man's Sphere of Action. Example of Unusual Financing. The Sales Angle in the Need of Representation Factor of Credits. How a Credit Manager Developed an Agent's Ability to Buy Largely. The Credit Man as a Sales Prophet. Coöperation between Export, Sales and Credit Departments.

The securing and holding of a foreign business must come from the closest of coöperation between the selling, crediting and collection departments. The credit man must be willing to admit that prompt shipments are essential and bend every effort to make these possible. The collection end must realize that continued good will and purchases are worth more than the interest on a few days saved by tactless insistence. The sales end must decide that it is part of its duty to know something of the standing of the prospective customer, or, when this is impossible, ensure either remittance with order or references. Otherwise, the greatest profit over a term of years will never result.

Indirect Financing.—A foreign credit manager in St. Louis saved a \$30,000 Swiss government order, placed through a most unreliable and undesirable dealer, by arranging for its financing through a Belgian banking institution. The credit man knew that the dealer was unreliable. When the export sales end admitted the certainty of this, it also admitted that it saw no way to complete the sale. The credit man knew that there must exist a means to finance an order originating with a reliable buyer, such as this government, and found the means.

Interpolation of Bank.—An energetic agent with little capital had been given all the Indian peninsula and his credit limit was reached with his first order. The sales end had failed to secure his consent to having orders billed direct to merchants and his commission passed separately, on account of the agent's desire to

use the American manufacturer's high rank as an asset in establishing his local credit and standing. The credit man, thoroughly convinced of the agent's honesty and ability, decided that if some method could be applied to curb his tendency toward over-expansion that he would be a profit-making connection, provided he could operate on a sufficiently liberal credit basis to capitalize his selling ability. As a result, three American firms for whom he acted as resident representative arranged with a Bombay bank so that his accounts receivable were placed in its charge, while the agent was given credit in proportion to his credit losses. This in no way hampered his legitimate sales activity but was a safety valve on his tendency to sell every possible buyer, and as it was handled tactfully made him feel of greater importance.

As a matter of fact, the arrangement enabled him to make far greater profit by widening his sales horizon. He now has fourteen salesmen covering India, and discounts all drafts.

Sales Values in Financial Statements.—Another side light on the credit man as a merchandiser is often seen through his knowledge of the varying capability of foreign customers. To the average sales manager a "bank statement" showing assets and liabilities is a mystery and seemingly in no way of interest to the sales end unless the showing of assets is inferior to the debit column. To the real credit man such a statement is a mental photograph of the merchant's desirability as a customer. If a merchant's accounts receivable are in too great proportion to the annual sales it shows at a glance poor credit and collection methods, which will hamper if not kill the growth. This very vital kind of vital information kept an Ohio exporter from making a serious mistake in Japan 5 years ago. The export manager had practically decided to offer an exclusive agency to an importer who has since failed, instead of a less able letter-writer whose annual statements showed exceptional business sagacity which has since been reflected in our rapid advance in the land of Nippon.

The Credit Man as a Sales Prophet.—Every good export manager knows that the customer who is gaining ground in his own market is most desirable. Few, if any, export managers are able prophets in this direction. Their whole training hardly includes a moment's study of value in such prophecy. The credit man, on the other hand, must be a prophet. It is not enough for him to know that a credit risk is sound at the time the

order is shipped. The credit man must decide whether or not the importer will be good months later after the goods have reached him and the maturity date of the obligation has been reached.

In consequence, the credit man has long since learned that a financial statement of an importer is far more than a mere proof of temporary solvency. The relation of assets to liabilities, the proportion of accounts outstanding to capital invested, the amount of stock on hand compared to annual sales—all these supply evidence of sound management, or the reverse. Given two annual statements—and these are generally available, the good credit man can gauge even more accurately the future of the risk.

How the Future Can Be Predicted.—With two such statements before him the credit man notes not alone the comparison in sales, but many other even more important elements. For example, even if sales have increased in the second year, there is a danger sign if the accounts outstanding have increased all out of proportion to the increased sales. It is particularly valuable information if the importer is shown to be increasing revenue, stocks and sales while reducing the percentage of accounts due.

Capitalization of Goodwill Rule.—The nature of the assets is also of vital importance. The rule of holding goodwill down to a capitalization which would allow 10 per cent to be earned is the easy informal test of the intangibles. Many export credit managers feel that the rule is by no means final, but all agree that it at least is a simple way of checking extravagant claims for goodwill.

COÖPERATION BETWEEN EXPORT SALES AND CREDIT DEPARTMENTS

A coöperative method by which the export manager obtains the full merchandising skill of the credit man and the export credit man receives the full benefit of the credit sense of the export manager is worth careful study.

When an initial order arrives from a dealer in any part of the world who has never imported before from any country, the export sales department sends to the credit man a wealth of data. This is possible because this manufacturing exporter believes that the time to get credit data is *before* and not *after* an order is received.

Proper Methods in Securing Advance Data.—Credit investigation starts through four and sometimes six different channels the day a letter arrives asking for prices. If the sales department's reply to the inquiry brings back an order by return mail the same steamer will also bring up-to-date credit information. The second reason is well worth remembering. If the credit data arrives without an order in the same mail, the export sales department studies to see the best way to follow up the original quotation. The credit man is called into conference to interpret the credit reports and to set a tentative credit limit, so that the sales department may have a definite target.

Where the Credit Man Can Help.—After the conference, the case of the importer is analyzed carefully. His original inquiry and the sales reply are checked against the newly acquired facts. Need of representation is carefully weighed. The general sales policy for the country from which the inquiry comes is held up for inspection. Then a definite plan of sales attack is drawn up and recorded and the prospect turned over to the export sales correspondents to sell.

Collating Credit Data by Export Department.—The credit reports and letters from any references given in such cases are held as sales material until the order is secured. Then they are attached to the order and sent to the credit man with a brief statement of the sales needs in the territory involved, the local agent's name, if any, and the presence or absence of good customers who might well take over the goods in case draft was not accepted. This last point is an important one from the standpoint of the credit man willing to lose now and then in a good cause, but naturally deserving all possible protection.

Sizing up New Accounts.—The good credit man will often come to the export manager and point out that some new account should really order in far larger quantities and in wider variety than anything in the correspondence has indicated. Or he may suggest some particularly active, able and well-off importer as an agent.

Examples such as these can be multiplied. The merchandising ability of the credit man is too valuable an asset for any exporter to overlook.

CHAPTER XXXIV

SOURCES OF INFORMATION ON FOREIGN CREDIT RISKS

"There is no merchant so small or market so remote that reliable credit data cannot be secured on which to base the granting or refusal of the extension of credit."—Amos Weatherbee.

Mercantile Agencies Used in Domestic Credits Have Foreign Trade Departments. Nature of Reports Supplied by Mercantile Agencies. Credit Bureaus of National Association of Manufacturers and Philadelphia Commercial Museum. Credit Service Possible to Members of Export Organizations. The American Manufacturers' Export Association. Boston Export Round Table. Reports Supplied by Export Journals. Service Bureaus of American Banks. Credit Agencies Abroad. Credit Data Secured by Export Salesman and Agents. Value of References. Workings of Foreign Credit Interchange Bureau of National Association of Credit Men. Details of Its Operation. Exposition of Its Advantages. Credit Data Obtainable from Trade Organizations and Private Sources.

Mercantile Agencies.—Obviously, the leading sources of foreign credit information should be known to every manufacturer who even contemplates sales overseas. The first source is the mercantile agency. R. G. Dun & Co. have a complete export organization with thousands of correspondents, as well as their own branches abroad. Their regular foreign credit reports are very similar to their domestic reports—sometimes called special reports, as they are obtainable only on application. These reports are most valuable when they include the financial statement of the importer, showing the usual "capital invested," "accounts outstanding"—all the usual items which make up a statement of liabilities and assets here at home. The usual record of local credit, insurance, when carried, and fire losses is expanded to include in many cases opinions on the attention given by the "risk" to his international obligations. In a similar way, Bradstreet's offer a type of service based upon domestic standards and specializing on spheres of activity in a smaller circle than the world-wide service of the Dun organization.

Coöperative Organizations.—The National Association of Manufacturers is the outstanding source of specific information

on importers from the angle of the coöperative organization. With its thousands of correspondents in small as well as large markets the "N. A. M."—as it is commonly known—offers a particularly valuable aid to the credit man by seeking with a high degree of success to include in a single credit report the information gathered by three different correspondents entirely unknown to each other, and each viewing the risk from his own professional angle. The reports of the National Association of Manufacturers each year contain a higher per cent of financial statements made at their special request. In this connection, both R. G. Dun & Co. and the National Association of Manufacturers deserve the hearty thanks of the exporters of the United States for their tactful, persistent efforts which have pointed out to importers abroad the worth to them of carefully-prepared annual statements.

Semi-public Institutions.—In the field of semi-public organizations the Philadelphia Commercial Museum offers foreign credit service to its members based upon reports made by its correspondents scattered all over the world. These reports include the opinions of the correspondents upon importers, together with a business history of these importers. These reports do not, as a rule, include the financial statements of the importers. They contain many most valuable pieces of credit information often unobtainable in reports from other sources.

National Export Organizations.—The American Manufacturers' Export Association has in recent years developed more and more its file of credit reports, and will soon have, if present activities are a correct indication of the future, a service of merit and value because based on reports from abroad which will not duplicate the work of correspondents of other organizations.

The Export Managers Club of New York.—The Export Managers Club of New York is entitled to decided recognition in the field of foreign credits. It originated the standard form for exchange of information between domestic grantors of foreign credits. This form was adopted nationally by the National Association of Credit Men. Its members exchange credit information with especial emphasis upon the agency field.

The Boston Export Round Table.—The Boston Export Round Table confines its activities in the foreign credit field to educational work in coöperation with existing organizations of credit and export men. Through its chain of "foreign finance advisors"

—the leading international bankers in many large cities overseas which have extensive import interests—it possesses an unique means to solve the larger problems through the personal influence and knowledge of men of long experience and vast knowledge in international financial transactions. It holds the international record for attendance at its Foreign Credit Conferences in 1918—more than one thousand attending its sessions.

Credit Services of Export Journals.—The leading export journals published in this country for circulation abroad have their own foreign credit sections. Often reports not available in the fields of any other source of foreign credit data will be found in their files. This is particularly true in cases of merchants abroad importing only once before from the United States. As the previous transaction in many such cases arose from an advertisement in their columns, and the original and only credit report sought was through the particular export journal involved, it alone is often found with credit data on hand as the merchant abroad extends his importations from this country.

Banks as Sources of Credit Data.—American financial institutions have in recent years given great attention to foreign banking, particularly those with their own branches or direct exclusive connections abroad. It is entirely natural that they now offer a certain type of combined business history and vicarious ledger experience. These bank reports range from most complete information to gossip as to the business and personal morals of the importer. Their value depends largely on the extent in any individual case they supplement rather than duplicate reports from other sources. In this connection it is important to recognize and value the fact that the favorable report from a bank abroad is a sober judgment of an experienced financier. While it may have the weakness of being the opinion of a third party, it has the strength of frankness and it is seldom, if ever, tinged with favoritism because the risk is a depositor.

American Manufacturers Foreign Credit Insurance Exchange.—Insurance against insolvency of importers abroad has developed a new source of semi-credit information. The American Manufacturers Foreign Credit Insurance Exchange—which is partly a private, partly a mutual enterprise—has compiled directories of importers abroad and “rated” these importers by symbols which indicate indirectly the desirability

of each as a customer. These valuable reference books are designed to be used for sales, credit and insurance purposes.

Credit Agencies Overseas.—In addition to these four sources of credit information in the United States, there are mercantile credit agencies abroad. These, particularly in Europe and Argentina, are very helpful and their cost of service not at all high, if reports are contracted for in moderate quantities. Naturally, it will be some years before European credit agency files as a whole can attain the excellence of pre-war days. But, conversely, these European agencies have every incentive to bring reports up to date rapidly and their closeness to their chosen field certainly gives the opportunity for rendering a real service.

The Export Salesman and the Export Agent.—The export salesman in the field and the export agent abroad should be made sources of first-hand credit information within the manifest limitations of their abilities and opportunities. The good salesman can frequently decide accurately in regard to the capability of the importer and to the general appearance and upkeep of his establishment. The export agent abroad frequently has the opportunity to keep in constant touch with the foreign merchant's local credit reputation, his commercial honesty and acumen and his relative standing, year by year, in comparison with his competitors.

But the export salesman and the export agent abroad should not be left to their own initiative in the important matter of credits and credit reports. The foreign credit manager should, by coöperative training, aid these important assistants to come to their full usefulness and value to the enterprise they represent.

The Value of References.—References are a highly important source of information. These are frequently given on the importer's letterhead as a matter of form. In other cases they are easily ascertained from the letterhead, which not infrequently shows lists of agencies held by the importer or of products featured. In pleasingly increasing numbers importers are including their references in their letters of inquiry.

THE FOREIGN CREDIT INTERCHANGE BUREAU OF THE NATIONAL ASSOCIATION OF CREDIT MEN

The most recent and by far the most important development in the field of foreign credits is the work of the National Associa-

tion of Credit Men. There has been many years' quiet development of the idea, originally started by an informal and small group of export executives and the credit men of their enterprises. It is now the Foreign Credit Interchange Bureau of the National Association of Credit Men. Its members work in closest harmony by depositing in a manner given full protection the entire list of their foreign accounts. This is built into a geographical, alphabetical list of importers abroad. On the individual card of each importer there is coded the exporters who have sold or are selling this particular importer.

Its International Ledger.—This remarkable system of the National Association of Credit Men thus gives each contributing member, on request, the complete and collated ledger and sales experience of all other members. By an ingenious plan, each member voluntarily supplying credit data on a risk automatically receives fresh data as soon as it is supplied by any other member. This makes competition for supplying information both keen and mutually profitable. The Foreign Credit Interchange Bureau of the National Association of Credit Men also provides a central bureau for the listing of importers undesirable from any credit or sales reason. This one feature, with the educational work planned, may well do more to eliminate petty unjust claims than all the earnest individual and semi-coöperative effort in the last generation. This Bureau is governed by directors chosen from the leading credit men in active business. In addition to credit men, there is also an informal advisory board of export executives, including the highest officials of purely export merchandisers' organizations.

Other Sources of Credit Information.—This array of sources of export credit data is by no means inclusive. Large forwarders of foreign freight offer a distinct type of credit information secured through their extensive connections abroad. Organizations both private and coöperative, devoted to the betterment of commercial relations between the United States and their particular part of the world, are anxious that only reliable importers become purchasers from the United States. Various chambers of commerce abroad, entirely or partly American in their directorate, each year add to credit data facilities either by individual reports or by lists or directories, in which are included only importers of proper standing.

The Chamber of Commerce of the United States, through its

Foreign Commerce Department, offers service which is of exceptional value to the importer who extends credit overseas. Without attempt to build up a staff service covering foreign credits, it has answered a multitude of questions involving not only credits, but also the kindred topic of foreign financing. It is not out of place to credit the Foreign Commerce Department of the Chamber of Commerce of the United States with an unusual grasp of the inevitable problems in foreign trade. Its manager and staff are familiar with export and import practices, statistics and new developments. Its keynote, "Helping the members to help themselves," is constructive in every sense of the word.

The Pan American Union is an official association of twenty-one American republics. Since its purpose includes the development of closer commercial relations between the Republics of the American Continent, it naturally serves exporters in the United States. While it does not maintain a department of foreign credits, it supplies special data by countries which is of great value to the foreign credit manager, and its staff, through its carefully gathered information, will often aid materially in the solving of foreign credit problems. The Columbus Memorial Library can boast 50,000 volumes relating to the American Republics. It can be consulted without charge.

Beyond this additional group there will be found in many countries, national organizations with a foreign trade committee which has developed files of credit data on importers particularly interested in the products of the industry. Today we are on the verge of an era in which there will be individual foreign credit experts who will confine their entire activities to the capacity of "Counsellor to Foreign Credit Departments."

For in no one way can the credit man and his merchandising associates better serve this country of ours than in development of the right volume of the right kind of exports—a volume which will balance, protect and insure our domestic financial stability.

CHAPTER XXXV

ELEMENTS OF FOREIGN COLLECTIONS

"The tree that bears the fruit must not be damaged in gathering the crop."—T. J. Wright.

Principles Underlying Sound Foreign Collections. The Collection Process Should be Educational. Many Delayed Collections Due to American Ignorance of Mutual Advantages of Time Documentary Draft Procedure. Foreign Collection Letters Should Be Sales Letters. The Three Purposes of a Collection Letter. Use of Clean Drafts in Collections. Problems Inherent in Collections Based upon Failures to Pay Documentary Drafts at Maturity. Reason for Non-payment Tremendously Important. Examples of Collections in Connection with Documentary Drafts. Collection Arguments that Appeal to Foreign Buyers. Specimen Collection Letters.

The primary consideration in foreign collections must be that of retaining the customer. The foreign collection department that collects one hundred cents for every dollar of overdue foreign accounts may well be a most costly luxury.

The Educational Function of Collections.—The collection process should be an educational process. It should retain every desirable account and retain it with self-respect. It should retain the great majority of accounts which are desirable except for their failure to appreciate the value of payments at maturity, and it should educate this class to a point where it pays promptly because it sees that it is to its own interest to pay promptly.

Who Is at Fault?—It should always be borne in mind that the great majority of foreign collections are the direct result of American ignorance and faulty methods in exporting. Because of the general ignorance of documentary draft usage and of its advantages, American manufacturers have created in Cuba, in Porto Rico, in Mexico and in other countries an entirely unnecessary number of open accounts. This has not been done for any valid reason but merely because the novice offered his usual "payment to be made within sixty days from date of invoice" terms, not knowing of the usual and better methods customarily employed in foreign trade the world over.

Naturally, these terms without an accepted maturity date breed looseness in method by the importer to whom they are offered. One of the greatest American offenders years ago, is now engaged in solving the problem of shifting his accounts over to documentary time sight draft terms and, like others who have engaged in the interesting task, is having better fortune than he truly deserves.

Correspondence and Collections.—Foreign collection letters should be sales letters. They should sell three distinct ideas:

1. Payment of the amount overdue
2. Payment of future invoices when due
3. Purchase of definite and further merchandise.

To accomplish this triple purpose, the writer of export collection letters should be in close touch and in entire sympathy with the export sales policies of his enterprise. He should be enough of a salesman so that he can point out the profits which the buyer will lose if, by severance of relations, he becomes unable to secure further supplies of the article to which his customers have given their approval. He must be able to sell the customer the advantages he gains by prompt payment because of his greater desirability because of his trade outlet. He must be able to create desire in the mind of the customer for definite merchandise which the importer can see he cannot purchase until his overdue indebtedness is cancelled.

Use of the Clean Draft.—Inferior as the “clean” or “non-documentary” draft is compared to the documentary draft, it should be used in connection with open accounts. Its use is, to be sure, in a sense irregular, but that merely makes the explanation a bit more difficult. It can be explained, however, that it is used at the request of those purchasing on open accounts to bring their attention to the maturity of obligations, and hence is used in the individual instance involved.

It is a mark of the experienced exporter in many lines and in many markets to draw such drafts at “three days” or preferably at “seven days” sight rather than “at sight.” This few days’ notice is not only a courtesy which takes the raw edge off this demand for payment, but it may well be a real convenience to the importer by enabling him better to adjust his finances before finally called upon for payment.

Serious Nature of Non-paid Documentary Drafts.—The treatment of importers who fail to pay documentary drafts at

maturity is an entirely different problem from the treatment of importers who have wrongly been educated to the use of open account payments. Because of the odium which attaches to the man who fails to pay his documentary drafts when due, it is always safe to assume that it is not carelessness, caprice or whim that is responsible for non-payment. This correct analysis of a difficult situation leaves but two phases of the non-payment as probable. The first is some grave fault of the exporter or his agents. The second is some grave fault of the importer.

It has been difficult to secure from the foreign correspondents of American banks full reports which gave the reason for the refusal of the importer to pay at maturity. This condition, happily, is being remedied by an international committee which is seeking ways and means to bring about improvement in coöperation between banks, exporters and importers and to standardize international banking forms and practices. When the refusal of payment made on an accepted documentary draft is accompanied by even the slightest of explanations the problem is greatly simplified. The truth, half-truth or utter falsity of the excuse will in itself be a guide to the collection effort. If the customer, for example, claims concealed damage, payment of the undisputed remainder pending investigation and possibly adjustment is an obvious step.

What to Do When Reason for Non-payment Is Unknown.—

The real problems are those in which no explanation of the reason for non-payment is given. In these cases it is considered the best practice to assume that the non-payment is due to a grave fault on the part of the exporter and to ask by cable or mail for an explanation of the fault. This step is least dangerous because in case the refused payment had behind it a valid reason, the exporter has not further offended an already offended customer. The good credit man looks most closely into all evidence when an accepted draft is not paid at maturity. Very often this evidence (which includes ledger experience as well as agency and other reports) will indicate the probabilities and, by such an indication, make the collection method to be used almost certain to be the right one.

“Honest men do not turn into crooks over night,” is a maxim which one credit man keeps before him. “Coming events cast their shadows before them,” is another truism well worth remembering. Cases abound where the good credit man has

saved valuable accounts merely by insisting that the evidence in favor of the customer was enough to offset the fact of the refused payment.

COLLECTION ANALYSIS AND CORRESPONDENCE

As an illustration, a New York manufacturer made a shipment to a Central American republic on 60-day documentary sight draft terms. The draft was accepted. When payment was due it was refused. These bare facts were reported to the exporter. The credit man analyzed the history of the importer and felt certain that there was some good reason for non-payment. All details of invoicing and shipment were checked and found correct. The collection department was not given the account but the foreign credits manager wrote direct to the account asking what error had been committed of so serious a nature as to justify non-payment. His letter was free from all except the kindest of spirit.

That letter saved an account. The bank in the Central American republic had a criminally careless employee who presented the draft notice of payment due on the morning following a midnight fire that damaged severely the importer's establishment. The distracted proprietor asked him to call later in the day. The bank's employee, either from pique or laziness, did not report this request but did report the importer's refusal to pay. As the fire destroyed the importer's records and no further effort was made by the bank, it was not unnatural for the importer to forget the episode—and with it forget the payment due and overdue.

The best way is to anticipate the unusual as well as the usual. The exporter should in every case *at the time he turns over drafts for collection* instruct the bank exactly what he wishes it to do in case of non-payment.

The standard forms which will soon be available will make this a simple task and be in themselves a reminder of the wisdom of this course.

COLLECTION ARGUMENTS THAT APPEAL TO FOREIGN BUYERS

"Let every letter show a clear recognition of the reader's equality with you."—George Burton Hotchkiss.

Collection Keynotes.—The keynote of the collection letter should be based on individuality. It should be the result of painstaking diagnosis of the customer involved and of the reasons behind the failure to pay.

The secondary consideration is the type of argument that will appeal to the particular debtor. There are a few broad appeals which have a racial rather than a logical base. It is wise to know these broad appeals so that the correctness of diagnosis may yield its full value in the treatment.

The appeal to the honor of a Latin is the one broad appeal that will strike a responsive chord in the breast of all except the most calloused of business sinners. No collection letter should be written to any customer of Latin race without this fact well in mind. It is a dangerous appeal only when unskilfully used. To show clearly what an appeal exists, what heights to which Latins rise in protection of honor, a single case is cited here. It is taken from the history of an Ohio manufacturer. The scene is laid in a small town in Bolivia.

Honor as a Collection Factor.—It was with surprise that the export sales manager found a remittance of several hundred dollars pinned to a letter from a physician in this small town, since his product was sold only through the hardware trade. The name was not known to him and there was no order in or attached to the letter, which was in Spanish.

When translated it read:

"I am attaching a money order for \$365.67, in payment of your invoice of June 8 to _____ . This man is dishonest, as you will see from a letter the _____ Bank is writing you at my request. When I learned from my son in the Customs House that you had innocently made a shipment to this dishonest man, in order to protect the fair name of our city I asked the _____ Bank, through whom your draft was drawn, to permit me to pay it and receive the goods. This they allowed because of the bad reputation of the man. Doubtless you have in your city dishonest men—a few—and so you will not hold it against us in this case. While I am a physician and not engaged in re-sale of merchandise, I have your shipment at my domicile and doubtless will place without loss in the hands of one of our reputable merchants who will appreciate their quality and then deal direct with you."

Comment would be superfluous!

British and Colonial Preferences.—In the British Empire and with English-speaking merchants the world over, the strongest broad appeal is that of the unwisdom of irregularity of practice in business. Particularly is the English merchant and his brethren in Australia, New Zealand, South Africa and India most loath to act in an “unbusiness-like” or “irregular” way. Therefore, the skilled writer of collection letters will often point out the correctness of the handling of the order by the exporter and by inference or statement contrast it with the “most unbusiness-like” action on the part of the importer.

The export sales manager can often be of real service to the export collection department. It is a poor export manager who does not come to have some standing, some acquaintance and some intimacy with his foreign customers. This fact makes it possible and natural for the export sales manager to write personal letters asking the reason for non-payment and pointing out the embarrassment it causes him to be called upon for an explanation of such an action on the part of a friend.

The Intimate Touch.—These personal letters will often bring out facts which the more formal “house correspondence” does not evoke. Hidden—long hidden—resentment at fancied or real injury; confidential news of defalcation and consequent temporary difficulties; failing mental powers of the nominal head of the importer’s business—these are a few of the results of such letters. And each made easy the decision as to what should be the attitude towards the debtor.

In the technique of collections of documentary drafts not paid at maturity there is a distinct place for the use of a “clean” or “non-documentary” draft. This seeming absurdity—for on the face it seems childlike to believe that a clean draft will succeed in a collection when a documentary draft has failed—is often the right step. Following non-payment of the documentary draft when the reason given is, for example, certain goods included in error, a clean draft for the undisputed remainder is as correct technique as the original documentary draft. The clean draft can properly be used in collections whenever the misunderstanding which caused the original non-payment has been cleared up and there is reason to believe that payment will follow presentation of any draft.

Facilities of Export Organizations.—In addition to these

individual attempts at collection, several of the export organizations offer facilities for collection of overdue foreign accounts. Collection efforts through recourse to law are always possible, and while they constitute a last resort, there is no reason why legal aid should not be enlisted when the amounts involved and circumstances which surround the collection make other methods merely a waste of time. In fact, in dealing with certain doubtful credit risks it is the part of wisdom to issue advance instructions to the bank to place the matter in the hands of their chosen attorney in case payment is not made at maturity.

There is no one field in export endeavor which offers such great opportunities for the exercise of the highest degree of constructive work, which demands the greatest intelligence and judgment, as the field of foreign credits and collections.

It is a field for business building. It is a work without which the best of export sales departments will fail in the full accomplishment of its desires. The good foreign finance manager today is one of the greatest—if not the greatest—force in the development of the export trade of the United States.

CHAPTER XXXVI

FRAUDULENT EXPORT SCHEMES

"Taking and not giving is the vice of the old pirate who died at the yard-arm of his own ship. If you think that international crooks succeed, read your history."—Oren O. Gallup.

Examples of Fraudulent Export Endeavor. The Black Band. The False Reference Plan. Overseas Export Advertising Criminal Schemes. Necessity for Investigation of Local Export Advertising Offers. Fraudulent Export Directories. The Egyptian Sight Draft Fraud. The Defense against Similar Schemes. Dangers in Selling at Low Export Prices Without Control of Shipments. The Pernambuco Triangle. The Pirate Ship. A Judicial Attitude and Common Sense Will Protect Adequately Against the Export Fakir.

In every country of the world there is an infinitesimal percentage of dishonest men. In view of the annual billions of dollars to which our foreign commerce has grown, it is amazing that the international crook and his fraudulent schemes have not reaped a far greater harvest. Less than a million dollars is recorded as the losses of American exporting manufacturers during the past half-century. It is a tribute to the better understanding of American exporters that since 1914 there are no examples of crook craftsmanship on a wholesale basis which deserve to be recorded in the interesting annals of international crime. This is in sharp contrast to the successes of the fraudulently inclined by highly ingenious forms of larceny and theft which are to the discredit of past decades.

THE BLACK BAND

There is a correct defense against every fraudulent export scheme. Some of the more striking examples of the work of export crooks, here listed and analyzed, emphasize this basic truth. The dishonest have victimized the exporter not alone because of carefully planned frauds but also because the exporter permitted himself to be taken off his guard. This is well proved by the workings of the Black Band which for nearly ten years operated with bases in the Mediterranean, and directed their efforts largely toward the securing of American goods without

payment. This plan can hardly be dignified by praise of the technique employed, although probably in dollars and cents the losses were as great to American exporters as those arising from later and more skilfully devised plots. The essence of the plan was false references. Certainly, even making a liberal allowance for the enforced change of names, no less than a dozen firms were directly and criminally involved, so that when crook "A" placed an order he was able to give at least half-a-dozen references of firms actually engaged in doing business in the cities given as their headquarters, and this half-dozen usually had some standing locally, particularly with the banks, in the cities where they were located.

Details of Fraud.—The plan of operation was simple, and successful largely because of its simplicity. Using some fictitious name, a member of the Band would secure catalogs and prices from a score of standard American makers, usually selecting those with little export experience but manufacturing a product for which a general demand existed. The next step was the placing of orders ranging from as low as \$50 to as high as several thousand dollars, but in no cases really large orders, considering the nature of the product and the prices asked. The crook specified sixty days' sight draft terms, being careful to make no mention of documents attached, merely for the reason that when manufacturers were simple enough to want "clean drafts"—which, of course, were not paid—no one except the maker and the crook was cognizant of the failure to pay. With each order, carefully prepared references were given, together with the explanation that hitherto the crook had purchased only in Mediterranean countries, but because of the wonderful qualities of the maker's products, and so forth, he had decided to make an attempt to sell a higher grade line. The cupidity of the manufacturer was appealed to by the frank statement that the order given was merely to give a fair trial to the new articles and that the crook expected with confidence that succeeding orders would be far larger in size.

An Adequate Defence.—It seems almost incredible today, but it is a fact, nevertheless, that scores of American manufacturers, though common sense had made them successful in domestic markets, shipped orders without waiting for replies from references. It seems incredible that scores more accepted the verbal reports of unknown merchants given as references and shipped goods

and wrote letters urging further and larger orders. It is not at all surprising that some more careful American exporters investigated the references as well as the firm ordering the goods, and made shipments on sixty days' sight draft attached to document terms, when the references indicated clearly that the references given enjoyed local credit and a high standing with local banks. But even these more careful firms should have been on their guard when they found that in every case the merchants given as references had been established in their cities only a very few years, and in many cases, particularly at the start of the organized campaign of the Black Band, only a few months. This should have at least aroused suspicion and caused credit men to have questioned their sources of credit information. This would have resulted in disclosing the fact that instead of being signally favored by orders, literally hundreds of American firms were receiving orders from various alleged importers giving the same references. Certainly such an amazing disclosure would have justified further investigations, and these investigations would, of course, have disclosed the entire plan.

Large Losses Involved.—But because the Band had selected as far as possible American manufacturers who were at best novices in exporting, it was a matter of years before sufficient complaints reached export associations, organizations and credit bureaus, and months after the first information reached these sources of credit data, before it could be clearly proved that definite fraud—organized fraud—had been employed. Naturally the Blank Band did not anticipate that they could continue operations indefinitely in the same locations, and in consequence, by the time their scheme was disclosed they had added new members, changed names and changed cities, and built up a new series of references. That the amount was large is a matter of common knowledge. The exact amount of the losses will probably never be known. Only recently, a now prominent Middle Western importer confessed that he was victimized by the Black Band but had never reported the loss to any organization.

Apart from the field of fraudulent endeavor in which goods are secured and payment is never made, it is of interest to turn to the field of advertising. Thanks to the wonderful change brought about by the data covered by the Bureau of Foreign and Domestic Commerce, export organizations and some of the most progressive advertising agencies, the export world knows today almost

the exact list of media available in foreign fields. It must be remembered that a dozen years ago this was not the case. Then there was little accessible information on file in the United States in regard to the newspapers and magazines published in other countries.

An Advertising Scheme.—A foreign-born resident of the United States took advantage of this unhappy ignorance and solicited advertising for an elaborate weekly magazine which, in theory but not in fact, was published in Lima. Armed with a copy of this magazine, which had been innocently printed in the United States and which contained full-page advertisements of a dozen leading American manufacturers and forty more less-known to fame, this crook solicited advertising at really rather high rates, even if the forged statements of circulation were to be believed. Again the argument was a simple one—"if so-and-so, and so-and-so, and so-and-so, whose lines are sold all over the world, think so highly of this publication that they order full pages, surely you cannot go wrong in capitalizing for yourself the result of their extensive investigations as to the best media in Latin America." Usually a crook required 25 per cent of the contract on proof of publication, and urged immediate action because an edition was about to go to the press. By working with remarkable rapidity the crook signed up over eighty pages of advertising, ran off a second edition and presented copies in person showing the advertisement, making his collection on the spot.

Needless to say, the first, or "bait," and the second, or "proof," editions were all that ever appeared.

A Successful Imitator.—So successful was this simple plan that it was copied only a few years later, although this time the crook made a greater profit because he chose an imaginary newspaper in Rio, and consequently cut his printing costs down to a minimum. Again, only two "editions" were published before the crook vanished. But the climax came half-a-dozen years ago when a plausible and ingenious crook brought out a very handsomely bound magazine which, according to the plan, was to be printed in New York and published quarterly, forty thousand copies to be distributed to a list which had evidence of being most carefully compiled. This time, instead of novices the crook had the audacity to tackle experienced exporters at the start, and because his list was really wonderful in its completeness he was able to prove that in city after city he had not only the names of

the leading manufacturers' best customers, but scores of other names which proved on investigation to be in every case those of most desirable types of accounts.

The real genius of the crook came in the quickness with which he operated, because he told these leading manufacturers that he would guarantee through various official and semi-official connections, orders of sufficient size so that the profits from these orders would more than pay for the advertising, and in his contracts only a nominal sum was requested as advance payment, and this sum—usually 5 per cent of the total—was to be paid only on proof of publication and after they had received at least one order. Further instalments were to be paid only from the profits gained from sales to governmental bureaus throughout the world after shipments had been made and accounts paid in full.

“Big Business” Used as Bait.—It would hardly be fair to give names here, but because it involved only such a small payment—a sum so small that it obviously would not represent more than an infinitesimal fraction of the cost of this elaborately bound and handsomely printed and illustrated magazine—contracts were signed by a number of the most experienced exporters. With these bona-fide contracts in hand, the crook sought his real prey—firms who were entirely willing to follow in the exact footsteps of the internationally famous merchandisers who had already signed up. Of course, in looking back upon this plan it can be seen that the secret of its success lay in the fact that this astute crook let each experienced export manufacturer practically dictate his own individual terms of payment. In consequence, when the real victims wrote and asked the experienced exporters for their opinion of the plan, these wise gentlemen replied simply that the plan rather appealed to them as it had been presented, and that they had decided to give it a trial, each one chuckling to himself when he thought of his own wonderful ability to make a special deal that protected himself against loss and surely showed signs of security for himself profits otherwise unobtainable. Again it was a case of only two editions. The experienced exporter as a rule lost nothing, and the rank and file were well shorn.

Defense against Advertising Fakers.—The defense against this type of fraud is based on a careful study of the proposal. The experienced manufacturers can be forgiven for signing

contracts, because the crook actually did show an unusual accurate knowledge of market after market, and in addition to the list, which in itself would have been worth many thousands of dollars to any large exporter, a keen comprehension of the inside workings of governmental purchases in many of the Latin-American countries. Experienced exporters who had for years banged their heads unsuccessfully against the wall, were shown the reason why their efforts had not been successful, and were given a glimpse—and only a glimpse—of the reason why they would be favored with orders if they tied up with this plan. But the group who paid the promoter's bills and made him presents totalling into the tens of thousands have less excuse, because in no case had they received hearty recommendations when they wrote references, and this should have resulted in further correspondence which ultimately would have disclosed the exact situation, and shown them that the names used as references were being extended purely normal rates for the advertising space.

THE EGYPTIAN SIGHT DRAFT FRAUD

One of the most successful individual fraudulent export schemes is known to veteran exporters as the "Egyptian Sight Draft Fraud." It is best described by a simple narrative. John Jones & Co., American manufacturers, received a letter from Cairo from one Henry Smith, whose letterhead showed that he had been established in Cairo for five years and that he was an importer of a fairly wide variety of English-, French-, Italian- and American-made articles. The letter asked for prices and terms, told frankly of his intention to test the market with the American manufacturer's article and, if the test showed sales possibilities, later on to ask for an exclusive agency. It requested that the American manufacturer, in case he was not already directly represented in Egypt, refrain from making any connections until the test had been made.

After his letter had been answered he sent in an order for a modest amount, accompanied by remittance. A second and larger order followed, also accompanied by remittance. Then Henry Smith sent in an extremely large order, with the request that it be filled only in case the manufacturer was prepared to tie up for five years and grant sight draft attached to bill of

lading terms which, as he carefully explained, involved payment only on delivery. He enclosed with this letter a simple contract in duplicate, both copies signed by him, and requested the manufacturer to sign both copies, retaining one and mailing him the other, with signature properly witnessed. The contract called for a pleasing volume of purchases, increasing each year, and called for the sole agency for Egypt, all shipments to be made by him, and the American manufacturer to refrain from correspondence with or sales to any other firm in Egypt.

The stage was now set and, apart from those who know the fraud itself, probably scarcely one in ten would see in this simple set of transactions anything that was foreboding. The usual cancellation clauses were present and no flaw was to be seen.

The Trap Is Set.—By the mail following the one that carried the duplicate contracts the crook placed an order through an innocent New York commission house, calling for this manufacturer's goods and giving a shipping mark which included the word "Alexandria." Thus it came about that while the signed contracts were on the way back to Egypt, an innocent-looking, insignificant order came in from the New York commission house and was filled in the usual way, without thought that it concealed a powerful explosive. The manufacturer, following instructions, made immediate shipment to Henry Smith of the items in stock, drawing on him with sight draft attached to documents. In the meantime, along went the small order through the New York commission house. This ended the American end of the transaction.

The Trap Is Sprung.—The scene was then changed to Egypt. On the arrival of the small shipment by the New York commission house to an accomplice of Henry Smith, this crook brought suit for breach of contract, based on the actual document which he presented in court, which prohibited the American manufacturer, John Jones & Co., from making any sales in Egypt except through Henry Smith. The agent claimed damages of many times the value of his own large shipment and demanded that the shipment made with sight draft attached to bill of lading be seized to satisfy his claim. Because the breach of contract was obvious and ignorance of the law excuses no one, John Jones & Co. emerged from the conflict—and, in fact, were unwise in contesting the suit—with the deficit of several thousand dollars and a saddening experience in exporting.

This loss could not have been avoided by foresight. It must be admitted that the crook, Henry Smith, had patience as well as ingenuity, since he had established an excellent record for himself in Cairo, and for five years his local and international record was one of prompt payments and business-like attention to all details. In consequence, credit investigation showed everything in his favor and nothing against him. It must be admitted that the loss was not due to corrupt administration of justice, because, beyond the perfectly natural sympathy with a fellow-citizen, there was nothing in the transaction for the court to consider beyond the clear facts of the case.

Sound Technique a Perfect Defense.—The defense is one which depends not upon suspicion but upon thoroughness in exporting. The moment John Jones and Co. (the American manufacturer) began seriously to consider Henry Smith as a possible agent, they should have examined into their records of indirect as well as direct shipments to Egypt, so as to capitalize these in agency arrangements. Further than this, the moment they signed the agency arrangement they should have placed a red flag against all communications and transactions, direct or indirect, involving Egypt, including an analysis of their export file. This would, of course, have caught the commission house order, whether placed through their New York office or at their inland factory.

If John Jones & Co. had acted wisely, they would have gone more slowly in connection with the contract. They would have suggested a changed wording, permitting them to make direct and indirect shipments to Egypt at prices protecting the agent, with a commission arrangement which would make these direct and indirect shipments profitable to the agent.

A Recent Unusual Fraud.—The next episode is chosen from the few interesting fraudulent successes during recent years. It illustrates the dangers of the unusual and emphasizes the weakness of the manufacturer whose export technique is faulty. The most prominent firm in the United States in its chosen line was the victim. This enterprise markets a single article which, without contracts of any kind, nevertheless enjoys a rigidly maintained re-sale price, and which is sold to the trade at a fixed scale of discounts. This leader in American industry several years ago, at a time when European export trade was almost negligible because of the handicaps of war, was visited by a man who

presented a card which read, "International Polylingual Export Co. of New York." The name given is fictitious, used here to prevent the possibility of unfair confusion with that of any substantial enterprise.

For a solid half-hour the officer of the export corporation talked about his company and its sales plan. He showed a convincing knowledge of the weaknesses of the average American selling plan and pointed out neglected market after neglected market. He emphasized the manner in which his company was specializing in the many nooks and corners of the world where there is not the competition rampant which is the case with the world's capitals. He paused suddenly in the midst of a general description of his enterprise and the neglected markets one it served, and offered to pay cash on delivery for hundred thousand cases, provided he was extended, in addition to the cash discount, a price that would make it worth his while. He pointed out that he had described his corporation and its methods of operation. An order was placed and accepted, and a 15 per cent inside price was given, as the manufacturer mentally charged off this to "introductory expense in markets in which we need distribution."

An Unexpected Ending.—It is a perfectly fair question to ask, "What fraud can possibly lie in this cash-in-New York transaction?" The answer is simple. All of the long exposition in regard to neglected markets was simply to throw the export manager off his guard. The goods were bought to be sold *in the domestic market*. Because the manufacturer had a rigidly-maintained trade price, and the line had a standard retail price, the schemer could turn over the one hundred thousand cases without difficulty on a 5 per cent cut over the best domestic quality price, and still have practically 10 per cent net profit.

Correct Export Policy as a Defense.—The defense against this is so simple that it hardly needs explanation. No manufacturer should permit any export policy that does not include a definite knowledge that goods bought for export shipment other than by the manufacturer himself must be the subject of a special agreement showing the country to which goods are to be shipped. This is manifestly a necessity, both from the standpoint of domestic and from the standpoint of export policy. Surely the good export manager, not blinded by this type of ingenious plan, must realize that he owes existing customers and agents protection against indirect shipments, and surely every American manu-

facturer should be most careful that no undermining possibility exists which will affect his domestic trade by any export transaction. One other American manufacturer learned this truth when in his misguided efforts to gain export supremacy he priced his goods so low for foreign sales that he was outwitted by a New York pirate who bought goods, which were shipped to Bermuda and thence back to New York, paying the nominal duty and then underselling the manufacturer right and left within 100 miles of the factory.

The Mexican Bandits.—Reverting a moment to the sight draft shipment as offering opportunity for fraud, there are those who remember some years ago when they shipped goods with sight draft attached to documents, to inland Mexico, and had the misfortune to have the freight train carrying these goods robbed “somewhere in Mexico,” and found that they were not protected against theft in transit. It may surprise these men to know that the customers who ordered the sight draft shipments were intimately acquainted with, if not direct relations of, the train robbers.

Little sympathy should be extended in this particular set of cases, because credit investigations would have shown that the Mexican firm—which, by-the-way, had an English-sounding corporation name, wrote in English and invariably addressed their letter to the president of the manufacturing company—had a bad credit record. The usual introduction was an apology for addressing the president, and giving as a reason for addressing him their appreciation of his able speech at a recent trade convention. It may be that the credit man should not be blamed after all, because in one case, at least, the highly flattered president overruled the credit department and insisted that the goods be shipped.

THE PERNAMBUCO TRIANGLE

In the catalogs of export crime, the cleverest example of fraudulent export scheming is always listed as the “Pernambuco Triangle.” In the years since it came and went, nothing has earned an equal place in the collection of connoisseurs of export crookedness.

A typical example of the workings of the “Triangle” is given in detail. “Thomas Robinson & Co.,” an American manu-

facturing exporter, received an order from the Anglo-Brazilian Merchandise & Export Co. of Pernambuco. Naturally, this is an assumed name. This order was for a very modest amount. It comprised an assortment of the leading staples and specialties. The order was on a letterhead giving the names of prominent European manufacturers, including a world-known English glove line, a world-known refiner of olive oil, a world-known French maker of perfumes and a world-known Irish bottler of ginger ale. In the body of the letter the names of three prominent English houses were given as references, together with "The Pernambuco Mercantile Agency."

The Second Angle Seen.—Several variations are now possible. In many instances, as the order was of comparatively small size and the letter a gem of wordcraft, the American manufacturer shipped the order by first sailing, as suggested. The seven-day sight draft attached to documents was accepted, but not paid at maturity. In the same mail that carried the bank's report of the failure of the drawee to make payment, a letter came from the Pernambuco Collection Agency. There can now be seen all three factors. In a moment will be seen the reason for the title, "The Pernambuco Triangle."

The letter from the Pernambuco collection agency read in part as follows:

"It has come to our knowledge that you have unwisely made a shipment of your merchandise to the Anglo-Brazilian Merchandise & Export Co. of this city. We have already in our hands for collection a number of accounts against this very company. The credit record of this firm is not impressive, and it is a matter of local record that other foreign houses have made shipments to them which have not been paid for.

"It is quite possible, however, that we can be of service to you, nevertheless, because we have recently found certain assets which have been illegally transferred to the officers of the company; and if you so desire we will join your name with those of other clients, in a suit we are bringing. Our fee for this will be 50 per cent of the total amount of your invoice, 25 per cent to be paid in advance and no further payment to be made unless your claim is collected in full."

Many American manufacturers paid this 25 per cent.

The Triangle Completed.—Manufacturers who shipped the goods lost goods, freight and other charges. Manufacturers who, after they had shipped goods, listened to the voice

of the siren, lost 25 per cent more, because the suit against the Anglo-Brazilian Merchandise & Export Co. was unsuccessful. But it is not even the ingenuity of these two angles of the triangle which appeals to the humorous side of many. It is rather that the Pernambuco Mercantile Agency was given as a reference. Those who quite wisely did not make shipment but wrote references, found that the English houses named had had correspondence but no business transactions with the Anglo-Brazilian Merchandise & Export Co. They also received a neatly-typed credit report from the Pernambuco Mercantile Agency. With this credit report was enclosed a bill for \$2 for the report.

The High Mortality Rate.—Every single American manufacturer in this division who has been traced cheerfully paid this \$2, and applauded his own good judgment in using business caution and not making shipment before he had made investigations. Until the whole plan was exposed not one of these suspected for a moment that the overhead cost of correspondence and a neat profit beside was being made by the crook, whose two side lines were the Pernambuco Mercantile Agency—credit reports a specialty—and the Pernambuco Collection Agency. The defense against the Pernambuco Triangle is so utterly obvious that no one, apparently, even thought of a check upon the \$2 credit report fee, or thought of escaping it. And yet, all anyone needed to do was to write to his chosen export organization and ask regarding the existence of the Pernambuco Mercantile Agency and of its reputation, if any.

No tale of fraudulent export schemes would be complete without the recital of one that starts inland in the United States and ends inland in Central America. In ingenuity, although not in variety, it rivals the Pernambuco Triangle. In the money total, it ran far beyond the Pernambuco Triangle.

THE PIRATE SHIP

A long-established house in New York decided to go wrong. It therefore prepared a tramp steamer (known ever since in export circles as "The Pirate Ship"), hired a disrated band of cutthroats as a crew and, with yawning holds, awaited the result of the warped minds of the headquarters crooks. These now out-and-out criminals sent orders to dozens upon dozens of

American manufacturers for goods which showed most pleasing profits to these makers. These goods were ostensibly for direct shipment consigned to foreign merchants, together with drafts on these merchants endorsed by the manufacturer to the long-established house in New York. The steamer was loaded, departed ostensibly across the Atlantic, but actually raced for Central America. The crooks faded from sight with the steamer.

After a while came inquiries to the sole and innocent clerk hired to keep the office open so that mail would not be returned unclaimed. The clerk, acting under instructions, acknowledged these letters, saying truthfully that the principals were out of town on a business deal.

Why the Losses Were Multiplied.—Then came the thunderbolt. In inland city after inland city banks presented the drafts and requested payment. Puzzled exporters explained to their banks that they were not the ones to make payment, that the drawees whose names appeared on the face had been shipped goods and that, of course, the drawees would make payment; and that the banks would then give the money to the exporters who drew the drafts. This seemed entirely reasonable to the exporters, but not so to the banks, for every draft had been discounted by the New York crooks! Every single manufacturer faced not only the loss of the goods, but also the full invoiced value of the goods sold.

The perpetrators of this outstanding fraud were aided by their past legitimate transactions; their standing in credit circles; the general ignorance in export circles of the exact ways in which their own drafts were handled, and by inertia which took for granted that the transaction involved was one in which goods *could* only be surrendered against payment to bank. It must be realized by every American exporter that there is a vast difference between the theft of goods by a transportation company of established standing and careless handling of drafts which permits that discounting without forgery. It is a legitimate business risk to entrust the forwarding of merchandise to those established for that purpose. It is a legitimate business risk to entrust collection of foreign accounts to banks of earned standing. But it never was and never will be sound merchandising to place *unnecessarily* in the hands of a second party either blank checks or unprotected drafts.

The Judicial Attitude Essential.—These concrete examples of successful fraudulent export endeavor are not given as a warning against engaging in export trade or employing all the many valuable aids offered through legitimate channels. The exporter who will but adopt a judicial attitude toward all proposals and who will use the same type of common sense precautions that he employs in the domestic market will secure himself against losses by fraud.

Export trade, with the fraudulent thus checkmated, offers the master-opportunity for the American manufacturer.

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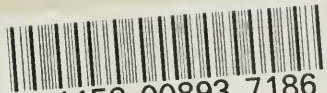
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